



# Charter of Corporate Governance

26 April 2018

# CHARTER OF CORPORATE GOVERNANCE

## 1. INTRODUCTION

This Charter of Corporate Governance has been established by the Board of Directors ("**the Board**") of UCB ("**UCB**"). It defines the system of checks and balances between the shareholders/investors, the Board and the management to shape an efficiently functioning company, ideally geared to produce long-term, sustainable value. The adopted principles reflect UCB's core values. Because they are so central to its mission, these values are highly integrated into UCB's operations and are given heavy weight in its Corporate Governance. The adopted principles further support UCB's visions and objectives and aim at improving its corporate transparency and disclosure. The Board is convinced that adhering to the highest corporate governance standards shows its commitment to maximizing value for all Company's shareholders and other stakeholders.

The Company has adopted the Belgian Code of Corporate Governance (second edition) published in March 2009 (hereafter "**the Code**") as its reference code of corporate governance, taking into account the specific international aspects of UCB<sup>1</sup>. As part of these rules, UCB, as a publicly traded company, has adopted a Code of Conduct and a Dealing Code.

This Corporate Governance Charter aims at providing a comprehensive and transparent disclosure of UCB's governance. It is posted on the UCB website ([www.ucb.com](http://www.ucb.com)) and will be continuously updated as required.

In addition, UCB will provide, in its annual report, a Corporate Governance Statement, which will give the information as requested by the Belgian Companies' Code and the Code. This report will include the Remuneration Report and give the factual information with respect to UCB's Corporate Governance, together with details of relevant events that took place during that financial year.

### 1.1. UCB Vision

UCB's Board, management and colleagues are committed to build a world class biopharmaceutical leader, creating superior and sustainable value for patients and thus also for stakeholders including shareholders. We are committed to bringing innovative medicines and solutions to patients. We rely on superior customer insight and cutting-edge science and are truly "inspired by patients and driven by science".

---

<sup>1</sup> The Belgian Code of Corporate Governance (second edition) published in March 2009, is available on the website of the Belgian Corporate Governance Committee

## **1.2. UCB's values**

To build UCB's future each Director, executive manager, leader, employee shares UCB's **values** which drive his/her behavior and commitment to success:

- ***Innovation***  
Our patients rely on us to develop new medicines that will have a major positive impact on the quality of their lives. Innovative science is the foundation of everything we do.
- ***Passion for performance***  
Our patients deserve our best. We are passionate about what we do and strive for continuous improvement in our performance.
- ***Entrepreneurship***  
As entrepreneurs, we constantly strive to innovate our products, improve services to our patients, and create sustainable value for our investors.
- ***Integrity***  
We act with integrity and ensure flawless quality in all we do.
- ***Care***  
We care about patients, customers and people.
- ***Accountability***  
We delegate appropriately and expect our people to make sound and timely decisions, report back to team members and be accountable.
- ***Embracing difference***  
We recognize diversity is the cornerstone of our success. We encourage and respect differences as it strengthens our organization.

## **1.3. Brief presentation of UCB**

UCB SA is a Belgian company, with registered offices in 1070 Brussels, Allée de la Recherche 60, registered under N° 0403.053.608. The Company is listed on Euronext Brussels and is a BEL 20 company.

The Company's Articles of Association are available for consultation on UCB's website ([www.ucb.com](http://www.ucb.com)).

The Company is administered by a Board of Directors and run by an Executive Committee, whose respective functions and responsibilities are clearly defined.

UCB SA is the parent company of the UCB Group. Prior to 2004, UCB was a chemical specialty and pharmaceutical group. Since the friendly takeover in July 2004 of the British company Celltech Group PLC, and in September 2006 of the German company Schwarz Pharma AG, and the divestment of its "Surface Specialties" activities finalized on 1 March 2005, UCB has become a global biopharmaceutical leader specializing in the fields of central nervous system and immunology disorders.

## **2. UCB SHARES AND SHAREHOLDERS**

### **2.1. Capital and Shares**

#### **2.1.1. Capital**

- 2.1.1.1. Since **13 March 2014** UCB's capital amounts to € 583,516,974 divided in 194,505,658 ordinary shares with no nominal value.
- 2.1.1.2. Share capital may be increased following a decision by the General Meeting of Shareholders or following a decision by the Board of Directors in the framework of the authorised capital.
- 2.1.1.3. Currently, there are no subscription rights (warrants) or convertible bonds outstanding. Since 2001, annual stock option plans have taken the form of awarding options on existing shares. The exercise of these options does not affect the issued capital of UCB; each year the annual report discloses the number of options exercised and the number of options outstanding under these plans.

#### **2.1.2. Shares**

- 2.1.2.1. The share capital of UCB is represented by 194.505.658 shares. Shares are registered or dematerialized, at the request of the shareholder, according to the law. Until they are fully paid up, shares are registered, and may only be transferred after prior agreement by the Board. Registered shares are recorded in a special register.

Pursuant to the Belgian Law of 14 December 2005 on the abolition of bearer securities:

- as of 1 January 2014, UCB bearer shares that have not been converted into registered or dematerialized shares were, by force of law, automatically converted into dematerialized shares and UCB had to register them in its securities custody account in its own name, but on behalf of the yet unknown holders. From that moment, their rightful owners had the right to claim and obtain from UCB the registration of their shares in their own names either in UCB's shareholder register (registered shares) or on their securities account.
- In 2015, UCB had to offer all unclaimed UCB bearer shares for sale on the stock market. The net proceeds of such sale were deposited with the State owned Deposit and Consignments Fund ("Caisse des dépôts et consignations"/"Deposito- en Consignatiekas") on 23 June 2015. As from this moment, UCB no longer intervenes in the process and the rightful owners of the underlying bearer shares have the right to submit their shares to the Deposit and Consignment Fund, where they will be entitled to claim the payment of the portion of the net proceeds to which they are entitled to. However, upon such payment, the Fund will impose a fine – progressively increasing over the years – of 10% of the proceeds of the sale of the underlying bearer shares per each commenced year of arrears.

You can find more information on the dematerialization of the UCB shares on the following web page: <http://www.ucb.com/investors/our-shareholders>

2.1.2.2. All shares are ordinary and confer equal rights.

Each share gives the right to one vote.

In any increase of share capital for cash, existing shareholders have preferential rights to subscribe new shares, pro rata with the number of their existing shareholdings, in accordance with the law. These preferential rights, however, may be limited or removed by the General Meeting of Shareholders in the interests of UCB.

The shares held by UCB and its affiliates, including UCB FIPAR SA, indirect affiliate of UCB, covering the option plans or share award plans issued in favor of UCB staff, do not have voting rights throughout the holding period. The number of shares held, at the end of each year, by UCB and its affiliates is disclosed in the relevant annual report of UCB and in the table referred to hereafter under point 2.2.

2.1.2.3. UCB shares are listed on Euronext Brussels.

## 2.2. Shareholders and shareholders structure

UCB's main shareholder is Financière de Tubize SA, a Belgian holding company listed on Euronext Brussels (the "**Reference Shareholder**").

Based on the transparency declarations received by Financière de Tubize SA, and as the case may be, more recent public disclosures, the shareholders structure of Financière de Tubize SA can be summarised as follows:

	Concert		Outside concert		Total	
	Voting Rights	%	Voting Rights	%	Voting Rights	%
Financière Eric Janssen SPRL	8,525,014	19.14%	1,988,800	4.46%	10,513,814	23.60%
Daniel Janssen	5,881,677	13.20%	-	-	5,881,677	13.20%
Altai Invest SA	4,969,795	11.16%	26,468	0.06%	4,996,263	11.22%
Barnfin SA	3,899,833	8.75%	-	-	3,899,833	8.75%
Jean van Rijckevorsel	7,744	0.02%	-	-	7,744	0.02%
<b>Total voting rights held by the reference shareholders</b>	<b>23,284,063</b>	<b>52.27%</b>	<b>2,015,268</b>	<b>4.52%</b>	<b>25,299,331</b>	<b>56.79%</b>
Other shareholders	-	-	19,249,267	43.21%	19,249,267	43.21%
<b>Total voting rights</b>	<b>23,284,063</b>	<b>52.27%</b>	<b>21,264,535</b>	<b>47.73%</b>	<b>44,548,598</b>	<b>100.00%</b>

Altai Invest SA is controlled by Evelyn du Monceau, born Evelyn Janssen. Barnfin SA is controlled by Bridget van Rijckevorsel, born Paule Bridget Janssen.

The reference shareholders of Financière de Tubize SA, belonging to the Janssen family, act in concert, i.e. they have entered into an shareholders' agreement concerning the concerted exercise of their voting rights in order to pursue a sustainable common policy with regard to Financière de Tubize SA and concerning the possession, acquisition or transfer of voting securities cf. article 3, §1, 13°, a), and b) of the law on the disclosure of large shareholdings and article 3, §1, 5°, a) and b) of the law on public takeover bids.

The key elements of this shareholders' agreement can be summarised as follows:

- The objective of the concert is to ensure, through Financière de Tubize SA, the stability of the shareholder structure of UCB in view of the long-term industrial development of the latter. In this perspective, it aims to preserve the predominance of the family shareholder structure of Financière de Tubize SA.
- The parties to the concert consult with each other about the decisions to be taken at the general meeting of Financière de Tubize SA, and try, to the extent possible, to reach a consensus. They ensure that they are properly represented in the board of directors of Financière de Tubize SA. Within this board and through their representatives at the board of directors of UCB, they consult with each other about the significant strategic decisions concerning UCB, and try, to the extent possible, to reach a consensus.
- The parties inform each other prior to any project of significant acquisition or sale of shares of Financière de Tubize SA. Pre-emption rights and rights of resale are also in place within the family.

\*\*\*

With respect to its other shareholders, UCB is not aware of any voting or similar agreements.

UCB and its subsidiaries also hold UCB shares (see the table referred to below under section 2.2.1 for an up-to-date overview of their shareholdings).

The remaining UCB shares are held by the public.

### **2.2.1. Notifications pursuant to the law on the disclosure of large shareholdings**

From time to time, UCB receives transparency notifications pursuant to the law of 2 May 2007 on the disclosure of large shareholdings.

Based on these notifications and as the case may be, more recent information from public disclosures, the most recent shareholders' structure of UCB can be found on our website via the following link: <http://www.ucb.com/investors/Our-shareholders>.

### **2.2.2. Notifications pursuant to the law on public takeover bids**

UCB received notifications pursuant to article 74, §7 of the law on public takeover bids from Financière de Tubize SA, Schwarz Vermögensverwaltung GmbH & Co. KG and UCB Fipar SA on 22 November 2007, 11 December 2007 and 28 December 2007 respectively.

On 30 August 2017, UCB received an updated notification pursuant to article 74, §8 of the law on public takeover bids from Financière de Tubize SA and Schwarz Vermögensverwaltung GmbH & Co. KG<sup>1</sup>, in which it was declared that:

- Financière de Tubize SA held 68,076,981 UCB shares on a total number of 194,505,658 (i.e. 35.00%),
- Schwarz Vermögensverwaltung GmbH & Co. KG. held 2,021,404 UCB shares on a total number of 194,505,658 (i.e. 1.04%),
- Financière de Tubize SA acquired no UCB shares since the previous notification dated 31 August 2016,
- Financière de Tubize SA and Schwarz Vermögensverwaltung GmbH & Co. KG. were acting in concert.

On 25 January 2018, UCB received a transparency declaration from Financière de Tubize SA mentioning that Financière de Tubize SA received confirmation on 19 January 2018 that the agreement to act in concert with Schwarz Vermögensverwaltung GmbH & Co. KG. was terminated. UCB received a similar notification from Schwarz Vermögensverwaltung GmbH & Co. KG. on 29 January 2018.

## **2.3. General Meetings of Shareholders**

### **2.3.1. Venue and date**

The Ordinary General Meeting of Shareholders is held on the last Thursday of April at 11:00am, 60 Allée de la Recherche, 1070 Brussels (or at any other place indicated in the convening notice).

A General Meeting of Shareholders may also be called in special or extraordinary circumstances, whenever Company interests dictate. Moreover, the Board or the statutory Auditor(s) must convene an extraordinary general meeting upon the written request of shareholders representing jointly 20% of the share capital of UCB.

The Board will carefully consider each request of a Shareholder to add an item on the agenda of a Shareholders meeting, or to convene an extraordinary general meeting, and decide on each request in the best interest of UCB.

### **2.3.2. Agenda of the General Meeting of Shareholders**

The agenda of the Ordinary General Meeting of Shareholders includes the following mandatory topics:

- Report of the Board and report by External Auditor(s);
- Approval of the annual accounts and distribution of Company results;
- Discharge of Directors and External Auditor(s) for the year;
- Approval of the Remuneration Report;
- This agenda will be completed by resolutions on appointment, re-appointment or substitution of outgoing External Auditor(s) or Directors, if applicable.

This may include additional sections submitting information on specific subjects or proposals for consideration not stated above which do not require a quorum or special voting.

---

<sup>1</sup> See : <http://www.ucb.com/investors/Our-shareholders/Notification-Art-74>

Special or Extraordinary General Meetings of Shareholders may be called at any other time or date. Extraordinary General Meetings contain proposals for deliberation and vote which require the presence of an attendance quorum and a qualified majority vote, and which must be held before a notary, e.g. modifications to UCB's Articles of Association.

### **2.3.3. Procedure for convening meetings**

The General Meeting of Shareholders, ordinary, special or extraordinary, is convened by the Board or the Auditor.

The notice of any General Meeting of Shareholders mentions in particular the venue, date and time of the meeting, the agenda, the reports, the text of the proposed resolutions, the procedure for taking part in the meeting or to be represented, and all other mentions provided for by Belgian law.

Holders of dematerialized shares are convened to meetings by advertisements in the Belgian Official Gazette ("*Moniteur Belge*" / "*Belgisch Staatsblad*") in a Belgian national newspaper at least thirty days prior to the meeting (in practice in the '*L'Echo*' (in French) and in the '*De Tijd*' (in Dutch)), and via such media as may reasonably be relied upon for the effective dissemination of information to the public throughout the EU and which are easily accessible on a non-discriminatory basis (in practice via Nasdaq Corporate Solutions international Ltd).

The notice is personally sent to the registered shareholders at least thirty days prior to the General Meeting of Shareholders, without it being necessary to prove that this formality has been carried out. These letters shall be sent by ordinary post unless the addressees agree individually, expressly and in writing to have notices of meeting sent to them by other means (such as email).

### **2.3.4. Admittance to the General Meeting of Shareholders**

2.3.4.1. According to Belgian law and the Articles of Association of UCB, the shareholders are admitted to the general meeting and may exercise their voting rights if they have recorded their shares on the fourteenth day preceding the general meeting, at midnight (Belgian time), either by registration of the shares in the shareholders' register of registered shares or by registration in the accounts of an authorized custody account keeper or clearing institution, regardless of the number of shares they own on the date of the general meeting.

Each shareholder shall notify its intention to attend the general meeting at the latest on the sixth calendar day preceding the date of the general meeting.

Any shareholder can be represented to the general meeting by a proxy of his/her choice.

The Board can determine the form of proxies, which must be lodged at the registered office of UCB at least six calendar days before the date of the meeting.

## **2.3.5. Procedure**

- 2.3.5.1. The General Meeting of Shareholders is chaired by the Chair of the Board failing whom by the Vice-Chair, or, should none of them be able to attend, by another Director.
- 2.3.5.2. The Chair appoints a secretary, who does not have to be a shareholder, and chooses two scrutineers who may be, but not have to be, a shareholder, and who will, together with the Directors present, constitute the Bureau.

The Chair directs debates using the practices applicable in Belgium to assemblies of deliberation.

Observing the agenda, he or she ensures that questions at the meeting receive a response, provided that the answer is not detrimental to the business interests of UCB or to confidentiality agreements to which UCB, its Directors, executives or External Auditor(s) are bound.

- 2.3.5.3. Except for cases stipulated by the law or by UCB's Articles of Association, the Meeting's decisions are valid regardless of the number of shares represented and are taken by simple majority vote.
- 2.3.5.4. To validate the deliberations of certain Extraordinary General Meetings of Shareholders, the law stipulates a quorum of 50% of the capital present or represented. Failing this, a new General Meeting of Shareholders must be called to deliberate validly without the need for any quorum. In accordance with the subject matter, votes for resolutions require a qualified majority as laid down in law.
- 2.3.5.5. Voting is by a show of hands or other means authorized by law. UCB usually uses an electronic voting system.
- 2.3.5.6. The minutes of General Meetings are signed by the Chair, the secretary and the scrutineers, and by the Directors and shareholders who wish to do so.

The minutes of the general meetings mention for each decision the number of shares for which votes have been validly cast, the percentage of the share capital represented by those votes, the total number of votes validly cast for and against each decision and, if applicable, the number of abstentions. This information is published on UCB's website ([www.ucb.com](http://www.ucb.com)) within fifteen days following the general meeting.

Copies or extracts of the minutes are signed either by the Chair of the Board, or by two Directors.

## **2.4. Rights to dividends**

### **2.4.1. Dividend policy**

The Board intends to continue to sustain a dynamic dividend policy, consistent with the long term growth prospects of UCB, offering gradual increase in dividend, and as far as possible not to reduce it, irrespective of the short term income variations.

### **2.4.2. Dividends**

According to article 45 of the Articles of Association of UCB, the payment of dividends shall be made annually at the times and places fixed by the Board. Usually the payments take place a few days after the approval by the Ordinary General Meeting of Shareholders.

### **2.4.3. Interim dividends**

According to article 45 of the Articles of Association of UCB, the Board can, at its own risk and on the basis of a statement of the assets and liabilities of UCB, drawn up not more than two months beforehand, which has been verified by the Auditor(s), decide to pay interim dividends to be deducted from the profits of the current trading year where relevant, reduced by the loss brought forward or increased by the profit brought forward and can set the date for such payments.

This decision cannot be taken less than six months after the closure of the preceding trading year, nor before approval of the accounts for that year.

When one interim dividend has been paid, the decision to distribute another cannot be taken less than three months after the decision to distribute the first dividend.

## **2.5. Relations with shareholders**

The Board is committed to maintaining good communications with shareholders. Other than during closed periods, the Chair of the Executive Committee (Chief Executive Officer), the Chief Financial Officer and the Head of Investor Relations maintain a regular dialogue with the Reference Shareholder and institutional shareholders throughout the year. The Chair of the Executive Committee, the Chief Financial Officer and the Head of Investor Relations give presentations to the reference and institutional shareholders and analysts immediately after the announcement of the UCB Group's half-year and full-year results. From time to time during such meetings an update is given on Research and Development by the management. These information and Q&A are simultaneously made available on UCB's website ([www.ucb.com](http://www.ucb.com)). The UCB Group also encourages communications with private shareholders throughout the year and welcomes their participation at shareholder meetings.

The Chair of the Executive Committee, the Chief Financial Officer and/or the Head of Investor Relations also conduct one-to-one formal meetings with the UCB Group's key shareholders following the announcement of major events. The UCB Group obtains independent feedback on these meetings through its corporate brokers. This information is circulated to all Board members, along with other feedback received during the meetings.

The Company aims to facilitate requests from shareholders for meetings with management and responds formally to queries and requests for information from existing or potential shareholders.

## **2.6. Information for shareholders**

The UCB Group's annual report & accounts, preliminary and interim announcements, trading statements and press releases are available on UCB's website ([www.ucb.com](http://www.ucb.com)).

All communications can be obtained electronically by e-mailing to [investor-relations@ucb.com](mailto:investor-relations@ucb.com).

Notices of meetings, agendas, reports and information which must be provided with a view to the General Meeting of Shareholders are available before the Meeting on UCB's website ([www.ucb.com/investors/Our-shareholders](http://www.ucb.com/investors/Our-shareholders)). They are sent to registered shareholders, together with the notice of the Meeting, according to the law and to UCB's Articles of Association.

### **3. THE BOARD OF UCB**

#### **3.1. Role and Responsibilities**

##### **3.1.1. Terms of reference**

The Board is UCB's governing body.

It has the power to take decisions on all matters which the law does not expressly attribute to the General Meeting of Shareholders. The Board acts collegially.

The roles and responsibilities and the functioning of the Board are determined by UCB's Articles of Association and by the terms of reference of the Board and the Board's Committees that are described in this Charter.

Among the matters over which it may, by law, take decisions, the Board has reserved key areas for itself, and has delegated wide powers of administration to an Executive Committee (see point 5).

It did not opt to create a Management Committee in the sense of the article 524 of the Belgian Company Code, since it preferred not to permanently delegate the powers granted to it by the law nor the general representation of UCB.

The Board's role is to provide entrepreneurial leadership of UCB within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board sets UCB's strategic aims, ensures that the necessary financial and human resources are in place for UCB to meet its objectives and reviews management performance. The Board sets UCB's values and standards and ensures that its obligations to its shareholders and other stakeholders are understood and met. It takes collegiate responsibility for sound exercise of its authority and powers.

The powers the Board has reserved for itself concern mainly the following, and to this end, it also receives all the information required in relation to each of them:

1. Defining UCB's mission, values and strategy, risk tolerance and key policies;
2. Monitoring of:
  - management's performance and implementation of the company's strategy
  - the effectiveness of the Board's Committees
  - the performance of the external auditor;
3. Appointment or removal:
  - from among its members, of the Chair of the Board, after a consultation of all Board members conducted by a member of the Governance, Nomination & Compensation Committee ("GNCC") other than the Chair of such Committee, it being understood that the consultation will be conducted by the Chair of the Board and of the GNCC when it relates to his/her succession planning;
  - from among its members, of the Chair and members of the Audit Committee, of the GNCC and of the members of the Scientific Committee;
  - of the Chair of the Executive Committee following a proposal by the GNCC;
  - of members of the Executive Committee following a proposal by the GNCC, and recommendation by the Chair of the Executive Committee;

- of persons in major external bodies or companies and of persons outside UCB requested to represent UCB at certain subsidiaries, on the recommendation of the Chair of the Executive Committee;
  - Reviews the succession planning for the Chair of the Executive Committee and the other Executive Committee members, as proposed by the GNCC;
4. For endorsement, appointment or removal of senior executives on the recommendation of the Chair of the Executive Committee;
  5. Ensure the integrity and timely disclosure of the financial statements of the UCB Group and UCB and of material financial and non-financial information to shareholders and financial markets;
  6. Approve the framework of internal control and risk management set up by the executive management and controlled by the internal audit with direct access to the Audit Committee;
  7. Preparation of the General Meeting of Shareholders and of the decisions proposed to be considered at the meeting;
  8. Executive management structure and general organization of UCB (and of the UCB Group);
  9. Approval of the annual budget (including the R&D program and the capital plan) and any increase in the overall annual budget (including the R&D program and the capital plan);
  10. The long-term or major finance operations;
  11. Creating, establishing, closing, settling or transferring subsidiaries, branches, production locations or major divisions exceeding a value of € 50 million;
  12. Allotment, merger, acquisition, division, purchase, sale or pledging of assets (other than assets referred to under sub-section 13 below), instruments and shares, equity and equity-like investments, in and out-licensing of intellectual property and product divestments, joint-ventures, of a value exceeding € 20 million and involving third parties;
  13. Purchase, sale or pledging of real estate property assets to a value exceeding 50 million EUR and real estate leases over a period exceeding 9 years for an aggregate amount of expenditures exceeding € 20 million;
  14. The terms and conditions of plans for the grant of stock and stock options to employees;
  15. To be informed, at the end of every semester, of the charitable donations in excess of € 10,000 YTD to each single beneficiary;
  16. At the request of the Chair of the Executive Committee, the Board may also be asked to pronounce in the event of diverging opinions among a majority of the members of the Executive Committee and its Chair.

### **3.1.2. Role of the executive and non-executive Directors**

Within the framework of the functions performed by the Board, the executive Director and non-executive Directors have specific additional roles to play.

The executive Director communicates all information concerning the Company's business and finances required for efficient running of the Board.

Non-executive Directors discuss, in a critical and constructive fashion, the key policies and strategy proposed by the Executive Committee, and help develop these. They concern themselves in particular with rigorous assessment of the performance of the Executive Committee in attaining the agreed objectives.

The Executive Committee of which one of the main tasks is to prepare most of the decisions proposed to the Board and then to ensure they are put into practice, works closely with the Board in all matters for which the Board is exclusively empowered.

## **3.2. Composition of the Board**

### **3.2.1. Composition**

The Board is of the opinion that a number of between ten and fifteen members is appropriate for efficient decision-making on the one hand, and contribution of experience and knowledge from different fields on the other hand. Such a number also allows for changes to the Board's composition to be managed without undue disruption. This is way within the provisions of the law and the Articles of Association of UCB from which the Board shall be composed of at least three members. The General Meeting of Shareholders decides on the number of Directors, upon proposal of the Board.

A large majority of the Board members are non-executive Directors.

The curricula vitae of the Directors and directorship candidates are available for consultation on UCB's website ([www.ucb.com](http://www.ucb.com)). These curricula vitae mention, for each Director, the directorships in other listed companies.

### **3.2.2. Appointment of Directors**

The Directors are appointed by the General Meeting of Shareholders, following a proposal by the Board, and upon recommendation of the GNCC.

In proposing candidates at the General Meeting of Shareholders, the Board takes particular account of the following criteria:

- a large majority of the Directors are non-executive Board Members;
- at least three non-executive Directors are independent in accordance with the legal criteria, and those adopted by the Board;
- no single Director or group of Directors may dominate decision-making;
- the composition of the Board guarantees diversity and contribution of experience, knowledge and ability required for UCB's specialist international activities; and

- candidates are fully available to carry out their functions and do not take more than five directorships in listed companies.

3.2.2.1. The GNCC gathers information, allowing the Board to ensure that the criteria set out above have been met at the time of the appointments and renewals and during the term of office.

For each new directorship appointment, the GNCC performs an assessment of existing and required abilities, knowledge and experience on the Board. The profile of the ideal candidate is drawn up on the basis of this assessment and proposed to the Board for discussion and definition.

When the profile is established, the GNCC selects candidates that fit the profile in consultation with the Board members (including the Chair of the Executive Committee) and possibly using a recruitment firm. Recommendation of final candidates is made by the GNCC to the Board. The Board decides on the proposals to be submitted to Shareholders' approval.

### **3.2.3. Independence of the Directors**

In carrying out their duties, each Director must fulfill their fiduciary duties of care, loyalty and good faith, and act in the best interests of UCB, its shareholders and other stakeholders. All Directors should be independent in their judgment and committed to the long term interests of UCB.

The law stipulates the independence criteria (article 526ter Company Code) for, amongst others, the application of certain regulations concerning conflicts of interest. Under certain circumstances, these regulations call for a Committee to be formed of three independent Directors in accordance with the provisions of law. Such independence is confirmed by the General Meeting of Shareholders every time a Director is elected or re-elected. At least three Directors meet these legal independence criteria.

Additional independence criteria have been adopted by the Board. By virtue of these, a Director qualifies as independent if he or she has not had business or other relations with the UCB Group which could compromise his/her independent judgment. In relation to this criterion, significant status as customer, supplier or shareholder of the UCB Group is taken into consideration by the Board on an individual basis.

According to the criteria set by the law, the Code and the Board, the representatives of the Reference Shareholder are not considered to be independent. Although these Directors do not qualify as independent, they are independent from management.

### **3.2.4. Duration of mandates and age limit**

Directors are appointed by the General Meeting of Shareholders for a four year term, and their terms may be renewed.

Moreover, an age limit of seventy has been stipulated. A Director shall give up his/her current term the day of the Annual General Meeting of Shareholders following his/her seventieth birthday. The Board may propose exceptions to that rule.

### 3.2.5. Procedure for appointment, renewal of terms and training

- 3.2.5.1. The process of appointment and re-election of Directors is run by the Board, which strives to maintain an optimum level of abilities and experience within UCB and its Board.
- 3.2.5.2. The proposals for appointment, renewal, resignation or possible retirement of a Director are examined by the Board based on a recommendation from the GNCC.

The GNCC assesses for each of the Directors who are candidate for re-election at the next General Meeting of Shareholders, their commitment and effectiveness and makes recommendations to the Board regarding their re-election.

Special attention is given to the evaluation of the Chair of the Board and the Chairs of the Board committees.

The assessment is conducted by the Chair of the GNCC and the Vice-Chair of the Board or another member of the GNCC, who have meetings with each of the Directors in their capacity as a Director and, as the case may be, as Chair or member of a Board Committee. For the Chair of the Board and of the GNCC, the assessment is conducted by the Vice-Chair of the Board and a senior independent Director. The sessions are based on a questionnaire and cover the Director's role in the governance of the Company and the effectiveness of the Board, and, amongst others, how they evaluate their commitment, contribution and constructive involvement in the discussions and decision-making.

Feedback is given to the GNCC who then reports to the Board, and makes recommendations as to the proposed re-election.

The Board submits to the General Meeting of Shareholders its proposals concerning the appointments, renewals, resignations or possible retirement of Directors. These proposals are communicated to the General Meeting of Shareholders as part of the agenda of the relevant shareholders meeting.

The General Meeting of Shareholders resolves on the proposals of the Board in this area by a majority of the votes.

In the event of a vacancy during a term, the Board is empowered to fill the post and to allow its decision to be ratified at the next General Meeting of Shareholders.

- 3.2.5.3. Proposals for appointment state whether or not the candidate is proposed as an executive Director, define the term proposed for the mandate (*i.e.*, not more than four years, in accordance with the Articles of Association), and indicate the place where all useful information in relation to the professional qualifications of the candidate, in addition to the main functions and directorships of the candidate, may be obtained or consulted.

The Board also indicates whether or not the candidate meets the independence criteria, in particular those stipulated in article 526<sup>ter</sup> Company Code, such as the fact that a director, in order to qualify as "independent" may not hold a mandate for more than three consecutive

terms (with a maximum of twelve years). In case the director meets the independence criteria, a proposal will be submitted to the General Meeting of Shareholders to acknowledge such independent character.

The proposals for appointment are available on UCB's website ([www.ucb.com](http://www.ucb.com)).

- 3.2.5.4. A UCB induction program is arranged for new Directors. The program is intended to allow them to learn the essentials of UCB as quickly as possible, including its governance, its strategies, its key policies, and its challenges in terms of research and development, operations, finance and risk management. Thus new Directors can contribute to the work of the Board and of its Committees of which they may become a member, over as short a period as possible. This program is open to all Directors. Training either by internal sources or by third-party experts is also provided to the Board members when deemed useful for example on relevant new laws, regulations, business endeavours and changes in the industry risks.

### **3.2.6. Chairmanship and Vice-Chairmanship**

Appointment of the Chair and Vice-Chair of the Board: The Board appoints a Chair and a Vice-Chair from among its members.

#### **3.2.6.1. Role and responsibilities of the Chair**

The Chair coordinates the activities of the Board. In particular, the Chair ensures that the best practices of corporate governance are applied to the relations between shareholders, the Board and management.

After consultation with the Chair of the Board and of the GNCC, the Vice-Chair of the Board and the Chair of the Executive Committee, the Board gives recommendations as to the general composition of the Board and of the committees created by the Board.

The Chair also carries out the tasks stipulated by law and the Articles of Association, and any produced by the Board, or following a request by the Chair of the Executive Committee.

In particular, the Board provides the Chair with the following powers:

- the Chair calls and arranges meetings of the Board;
- the Chair sets the agenda, together with the Vice-Chair of the Board and the Chair of the Executive Committee;
- the Chair ensures that Directors receive precise, clear and complete information in good time, particular with regard to UCB's performance;
- the Chair ensures that procedures relating to preparatory work, deliberations, passing of resolutions and implementation of decisions are properly followed;
- the Chair ensures that the Board carries the highest level of integrity and probity in the exercise of its functions;
- the Chair ensures that all Directors contribute to discussions and decision-making;
- the Chair ensures that sufficient time is arranged to discuss complex or delicate issues. When this is deemed necessary, the Chair arranges

- informal premeetings or creates specific committees to prepare discussions for the Board;
- the Chair ensures that Directors have sufficient time for reflection on delicate issues;
- the Chair presides over Ordinary, Special and Extraordinary General Meetings of Shareholders, and ensures that shareholders have the chance to express their opinion, ask questions and receive suitable replies;
- the Chair must be available vis-à-vis the Chair of the Executive Committee for advice in relation to issues concerning UCB's strategy and major operations, or to represent UCB at events when required to do so;
- once a month, the Chair attends an information meeting with the members of the Executive Committee, and the Vice-Chair of the Board;
- the Chair exchanges information with the Vice-Chair of the Board and the Chair of the Executive Committee once a month; and
- the Chair ensures, together with the GNCC, that the performance of the Directors, the Board as a whole, and its Committees are assessed on a regular basis.

### 3.2.6.2. Role and responsibilities of the Vice-Chair

Among the non-executive Directors, the Vice-Chair is the main interlocutor of the Chair of the Board in all the above areas.

The Chair of the Board consults the Vice-Chair whenever this is deemed necessary to allow functions to be accomplished efficiently and effectively.

In particular, the Vice-Chair:

- presides over the Board in the absence of the Chair;
- draws up the agenda for meetings with the Chair of the Board and the Chair of the Executive Committee;
- attends the monthly information meeting with the Chair of the Board, the Chair and members of the Executive Committee; and
- exchanges information on a monthly basis with the Chair of the Board and the Chair of the Executive Committee.

### 3.2.7. **Secretary of the Board**

A Secretary of the Board has been appointed by the Board:

- to assist with the coordination of the Board meetings' preparation, agenda setting and premeeting materials;
- to draft the minutes;
- to generally facilitate Board processes, induction programs and flow of information to Board members;
- to assist in company processes that strengthen Corporate Governance; and
- to provide a report to the Board, at the direction of the Chair, on how Board procedures, rules and regulations are being followed and complied with.

For all Board and Company matters, each Director has individual access to the Board secretary's assistance.

### **3.3. Functioning of the Board**

#### **3.3.1. Frequency**

Meetings of the Board are called by the Chair, the Vice-Chair or by the Director substituting, as often as the interests of UCB demand. They must also be called on the request of at least two Directors.

Each year the Board establishes its calendar of meetings for the ensuing year and plans for six to eight meetings. Additional meetings will be convened each time the interests of UCB require so.

#### **3.3.2. Preparation**

The Chair of the Board draws up the agenda for meetings following consultation with the Vice-Chair of the Board and the Chair of the Executive Committee.

He or she ensures that Directors receive precise and detailed information with sufficient notice prior to meetings.

Directors may also request all useful additional information, in accordance with the nature of the matter, from the Chair of the Board who will organize the answer to their request with the Chair of the Executive Committee.

They may also make use of independent professional advice at the expense of UCB, by prior agreement with the Board or, in emergency situations, by the Chair or Vice-Chair of the Board.

#### **3.3.3. Procedure, quorum and deliberation**

Meetings of the Board are presided over by the Chair and, failing this, by the Vice-Chair.

The Board cannot validly transact business unless the majority of its members are present or represented. The quorum of those present shall be calculated in relation to the number of Directors voting and without taking account of those who, in application of the Belgian Companies' Code are obliged to withdraw from the deliberations. If the number of Board members is insufficient, the Directors are called by registered letter to a further meeting. A quorum is not required at the second meeting.

In the majority of cases, decisions are taken by consensus. In the event of a vote, Company's Articles of Association stipulate that resolutions are passed by a majority of votes; should there be a tie, the vote of the Chair of the meeting shall be decisive.

#### **3.3.4. Conflicts of interest**

Each Director acts without conflict and always puts the interests of UCB before his/her individual interests. Each Director arranges his/her personal and business affairs so as to avoid direct and indirect conflict of interest with UCB.

All Directors inform the Board of conflicts of interest as they arise and abstain from participating in discussions and deliberations on the matter involved in accordance of the relevant provisions of the Belgian Companies' Code.

Any abstention from voting, motivated by a conflict of interest, is disclosed in accordance with the relevant provisions of the Belgian Companies' Code.

The Board has a long established procedure for transactions or other contractual relationships between UCB, including its related companies, and its Board members (or the companies with which they have a close relationship), which are not covered by the legal provisions on conflict of interest, as follows: if the interests at stake could be conflicting, the Director concerned by the transaction informs the Board and abstains from participating in the deliberations and abstains from voting. In such case, the Board will be particularly attentive that the approval of the transaction is motivated by UCB's interests only and that it takes place at arm's length. The minutes relating to the discussion and decision concerning the issue, object of the conflict will mention the abstention and the nature of the conflict. Each year the Directors make a report to the Board describing, as the case may be, all relationships between them or the companies with which they (or a close family member) have a close link (such as an executive function, a directorship, a controlling shareholding), and UCB including its related companies.

### **3.3.5. Confidentiality**

Directors cannot use the information obtained in their capacity as Director for purposes other than for the exercise of their mandate. They have an obligation to handle with caution the confidential information received in their capacity as Director.

### **3.3.6. Minutes and excerpts**

Minutes reflecting the deliberations and decisions of the Board are drafted by the Secretary of the Board in the language of the meeting and submitted for approval to the Board. They are signed by all members present at the meeting. According to the Articles of Association, in case a Director refuses to sign, a mention of this refusal is made in the minutes.

Excerpts of the minutes for disclosure in justice or elsewhere shall be signed by either the Chair, or two Directors, or the Secretary General or the General Counsel.

## **3.4. Representation of UCB**

The Company is validly represented, with regard to third parties and before the courts whether as plaintiff or defendant, by two Directors acting jointly for all acts, including those involving a ministerial or public officer. These Directors will not need to be covered in any instance, in respect of third parties, by a prior decision of the Board. The Chair of the Executive Committee represents UCB in the daily management of the business.

In addition, the Board may appoint special representatives for tasks decided by it.

## **3.5. "Assessment" of the Board**

On a regular basis, at least every other year, the Board proceeds to assess its overall contribution to the long term success of the business, setting out its strategic mission and aiming to optimize its own composition and functioning and the composition and functioning of the Committees created by it.

To this end, discussions are held by the Chair and the Vice-Chair of the Board with each individual Director, with regard to the roles of the Board, of the GNCC and the Audit Committee, their priorities, their composition, the quality of information made available to the Board and the Committees, the frequency and duration of their meetings, their functioning and contribution. Each Director's individual contribution is evaluated. The relationship of the Board with the Chair of the Executive Committee is also analyzed.

The Chair of the GNCC is responsible for conducting the Board Effectiveness assessment process and for reporting the results to the Board. If deemed necessary, the assistance of external experts will be sought. The process is confidential and reported to the Board on a no name basis.

See also 3.2.5.2. for the assessment of the directors candidate for re-election.

### **3.6. Remuneration for the Directors**

#### **3.6.1. Remuneration policy**

As a principle, the remunerations of the Directors should be sufficient to attract, retain and motivate those who have the profile determined by the Board; the remuneration level should take into account the responsibilities and time commitment of the Board members. In addition to this principle, the amounts proposed by the GNCC are based on two benchmarks, one being the fixed and variable remuneration of Directors of the BEL 20 listed Belgian companies and the other being the remuneration paid by European biopharmaceutical companies.

On the basis of the recommendations drawn up by the GNCC as to the form and structure of remuneration, the Board proposes the remuneration for Directors and Board Committee's members at the General Meeting of Shareholders.

A directorship term at UCB is remunerated by fixed emoluments approved by the General Meeting of Shareholders; Board members also receive presence fees for each Board meeting in which they participate. A directorship does not make Directors eligible for any variable remuneration linked to results or other performance-related criteria, nor does it grant rights to free shares or stock options, or to an extra-legal pension plan.

Considering their supplementary duties and liabilities, the Directors who are also members of a Board Committee are entitled to an additional fixed remuneration. For the same reason, the remuneration fees of the Chair of the Board are three times these of the members of the Board and twice that of the Vice-Chair of the Board. The remuneration fees of the Chair of each Board Committee are also higher than that of the members of the Board Committee. These remunerations are also submitted to the General Meeting of Shareholders for approval.

Reasonable expenses incurred by the Directors within the framework of and in accordance with the needs of their function as a Director or as a member of a Board Committee, are paid by UCB.

The individual remunerations and presence fees paid to the Board members are disclosed annually in the remuneration report included in UCB's annual report.

#### **3.6.2. Basic remuneration of Directors and presence fees**

Remuneration for each Director was set at the 2013 General Meeting of Shareholders at € 70,000 per year, of the Chair of the Board at € 210,000 per year and of the Vice Chair of the Board at € 105,000 per year. The Chair's annual emoluments include his or her presence fees. The same meeting fixed the presence fees of the Vice-Chair and of the other members of the Board at € 1,500 and € 1,000 per meeting respectively.

### **3.6.3. Board Committees members remuneration**

The 2013 General Meeting fixed the annual additional remuneration of the Chair and members of the Board Committees as follows: € 30,000 for the Chair and € 20,000 for the other members of the Audit Committee; € 20,000 for the Chair and € 15,000 for the other members of the Governance, Nomination and Compensation Committee (GNCC); and € 30,000 for the Chair and € 20,000 for the other members of the Scientific Committee.

## **4. BOARD COMMITTEES**

### **4.1. Common Committee rules (length of term, organization)**

**4.1.1.** To enhance the overall effectiveness of the Board by ensuring focus, oversight and monitoring of sensitive areas, the Board has created three specialist committees: the Audit Committee, the GNCC and the Scientific Committee. The Board Committees assist and advise the Board on these substantive issues.

After each meeting, the Committees submit a report to the Board with the conclusions of their work and their recommendations.

Within their respective areas of responsibility, the Committees make recommendations to the Board. Except where otherwise stated in this Charter, only the Board has the power of decision.

**4.1.2.** From among its non-executive Directors, the Board appoints the members of each Committee and, as the case may be, their Chair. All members of the Board Committees are independent from management.

The duration of the term of Committee members is the same as the term of directors - that is, 4 years - and terms are also renewable.

The duties and responsibilities of each Committee are determined by the Board and delineated in their terms of reference set out below (4.2.1. Audit, 4.3.1. GNCC, 4.4.1. Scientific Committee).

## **4.2. Audit Committee**

### **4.2.1. Terms of reference**

The Audit Committee assists the Board in its responsibility of monitoring the management of UCB and the UCB Group as a whole, and more specifically with regard to achieving the following objectives:

1. The reliable nature of financial information
2. Compliance with relevant laws and regulations
3. Performing internal control processes within UCB in the most efficient manner.

The assignments of the Audit Committee can vary according to the circumstances. However, the committee mainly has the following duties:

1. Monitoring the financial overall reporting process and submit recommendations or proposals to ensure its integrity;
2. Monitoring the effectiveness of the company's overall internal control processes and risk management systems;
3. Monitoring the internal audit function and its effectiveness;
4. Monitoring the statutory audit of the annual and consolidated accounts, including monitoring management's follow-up on any questions and recommendations made by the external auditor;

5. Reviewing and monitoring the independence of the external auditor, in particular regarding the provision of additional services to the company. (article 526bis§4, a)-e) Belgian Companies' Code); and
  6. Monitoring the overall risk management processes of the company.
  7. Be responsible for the procedure for the selection of the External Auditor(s) in accordance with the law and make a motivated recommendation to the Board as to the nomination or renewal of the mandate of the External Auditor(s).
- In the area of financial and accounting information,
    - the Audit Committee monitors the integrity of the financial information provided by UCB, in particular by reviewing the relevance and consistency of the accounting standards used by UCB and the UCB Group, including the criteria for consolidation of the accounts of companies in the UCB Group; it must inform the Board of the outcome of the audit of statutory and consolidated accounts, and explain how the control has been performed and contributed to the integrity of the financial information and what the role of the Audit Committee was in this process;
    - more particularly the Audit Committee verifies the quality and reliability of UCB's consolidated half-yearly and yearly accounts submitted to the Board. It reviews management's certification process on half-yearly and yearly accounts. It ensures that the documents are a true reflection of business progress, that they have been drawn up in accordance with legal requirements, and provide a response to the demands of the Financial Services and Markets Authority (FSMA) or of any other authority to which UCB is subject as an officially listed company;
    - in the event of significant and unusual transactions where the accounting treatment may be open to different approaches, the management informs the Audit Committee of the methods used and their justification;
    - the Committee discusses significant financial reporting issues, if any, with both management and the External Auditor(s).
    - It reviews the additional report which the External Auditor(s) must submit to the Audit Committee in accordance with article 11 of Regulation EU 537/2014 and the applicable Belgian regulations.
  - In the area of internal auditing and internal control,
    - the Audit Committee examines that the internal audit function has the resources and skills adapted to UCB's nature, size and complexity;
    - it inquires as to the audit methods implemented at UCB Group level. It receives confirmation that the means and procedures currently in place and the computer systems for collection and checking of data are suitable, and allow complete and reliable information to be produced;
    - it reviews the internal auditor's work program and receives periodic reports from internal audit on the results of the internal audit work;
    - it has periodic meetings with the internal auditor without management's presence;
    - it makes recommendations to management and to the Board on the selection, appointment or removal of the internal auditor.
  - In the area of auditing and control,
    - the Audit Committee is responsible for the selection procedure of the External Auditor(s) in accordance with the applicable laws and regulations and makes recommendation to the Board relating to the appointment and remuneration of the External Auditor(s), to be further submitted by the

- Board to the General Meeting of Shareholders on presentation of the Work Councils;
- it examines together with the External Auditor(s) the range and scope of the audit performed, and also the method used to carry it out through the UCB Group. The Audit Committee examines the results of the external audit, and also the reports by the External Auditor(s) to shareholders;
  - it monitors the External Auditor(s) independence, and in particular that neither the Auditor(s) nor the companies with which he or she (they) is (are) associated carry out any activity for the UCB Group other than external audit services or other audit related and/or other permitted services, within the applicable limits; it examines on a regular basis, a report from the External Auditor(s) describing all relationships between the/each Auditor and UCB and the UCB Group;
  - on a regular basis, the Audit Committee examines the additional fees charged by the External Auditor(s) to UCB or to the UCB Group's affiliates in excess of the fees approved by the General Meeting of Shareholders as well as fees charged for non-audit or audit-related services, within the applicable limits, to be disclosed in UCB's annual report; according to article 133 of the Belgian Companies' Code, it approves, as the case may be, the duties and fees of the External Auditor(s) when these fees exceed the annual fees approved by the General Meeting of shareholders as well as the fees for permitted audit-related and non-audit services in accordance with the relevant regulations and policies.
- In the area of appreciation of risk and risk management,
    - the Audit Committee evaluates management's determination of areas where risk could significantly affect the UCB Group's financial situation and reputation;
    - it reevaluates on a regular basis that:
      1. the risk management team is efficient at assessing and managing UCB's exposure to its risks areas;
      2. the procedures in place allow effectively high risks to be identified and their potential impact to be estimated;
      3. preventive or risk transfer measures limit the consequences in an acceptable fashion; and
      4. specific arrangements are in place which the staff of the company may use, in confidence, to raise concerns about possible improprieties in financial reporting or other matters;
    - it reviews the statements included in the annual report on risk management.
  - When new regulations, legislation or directives are envisaged which could have considerable effects on the accounts of the UCB Group, its financial situation or its income in the short or long term, the Audit Committee is informed of the implementation and impact of these, and also of implementation measures approved by management. If required, it draws up recommendations in this regard to the Board.

#### **4.2.2. Composition of the Audit Committee**

The Audit Committee is composed of at least three non-executive Directors who are all independent from the management and of which a majority of the members qualify as independent as defined by article 526ter of the Belgian Companies Code. The members of the Audit Committee are collectively competent in the domain of

activities of the Company. They all have accounting and auditing expertise. The Chair is elected amongst its members.

#### **4.2.3. Functioning of the Audit Committee**

- The Audit Committee is to meet at least four times a year to fulfill its duties a.o. to prepare for the meetings of the Board, during which finalization takes place of the half-yearly and yearly accounts.
- At least twice a year, the Audit Committee meets the external and internal auditors to discuss matters relating to its terms of reference and any issues arising from the audit process, and in particular any material weaknesses in the internal control.
- The Audit Committee regularly invites the Executive Vice-President Finance who is also a member of the Executive Committee, the Head of accounting and consolidation and the Internal Auditor to attend its meetings. The External Auditor(s) is (are) regularly invited to participate to meetings of the Audit Committee. The Audit Committee is entitled to meet with any relevant person without any executive manager being present.
- The Audit Committee reviews its terms of reference annually and if needed recommends any changes to the Board. The Audit Committee annually reviews and approves the existing year and forward-year external audit fees and expenses, the latter as part of the budget approval process.
- Secretary functions are arranged by the Secretary of the Board.

#### **4.3. Governance, Nomination & Compensation Committee (GNCC)**

##### **4.3.1. Terms of reference**

The GNCC ensures that the appointment and re-election process is organized objectively and professionally and proposes the remuneration policy for non-executive Directors and executive managers. For the latter the GNCC proposes compensation programs that are fair and appropriate to attract, retain and motivate management and are reasonable in view of company economics and the relevant practices of other global biopharma companies, using outside consultants when needed.

The Chair of the GNCC prepares with the Chair of the Executive Committee and the Executive Vice-President Human Resources the meetings of the GNCC.

The GNCC reviews with the Chair of the Executive Committee and submits to the Board the succession planning for UCB's Chair of the Executive Committee and other Executive Committee members.

4.3.1.1. Concerning appointments, the GNCC has particular duties as follows:

- for the appointment of the Chair of the Board and with a view of reaching the broadest consensus of the Board members on the candidate : the Chair of the GNCC conducts a consultation with all Board members and reports the conclusions to the Board, after having discussed them with the GNCC, except if the appointment relates to

- the reelection of the Chair of the Board and of the GNCC, in which case the Vice-Chair of the Board will conduct such consultation;
- following examination, to submit to the Board the names of candidates for new members of the Board and the Executive Committee and to make proposals to the Board in the event of renewal, resignation or possible retirement of (a) Director(s). With regard to proposals for appointment of members of the Board, the GNCC predetermines together with the Board the Board's equilibrium criteria and the profile of the candidate. See 3.2.2 and 3.2.5. With regard to candidates for new members of the Executive Committee other than the Chair, the Chair of the GNCC consults the Chair of the Executive Committee before the latter proposes candidates to the GNCC; the same procedure is followed in the event of proposals for removal or dismissal;
- the GNCC proposes to the Board the candidature or dismissal of the Chair of the Executive Committee.

#### 4.3.1.2. Concerning remuneration, the GNCC has particular duties as follows:

- make recommendations to the Board in relation to remuneration of the members of the Board, to be submitted for approval at the General Meeting of Shareholders (see 3.6.1.);
- propose to the Board the Policy of Remuneration for the Executive Committee members:
  - salary position on the market;
  - base salary, bonus and long term incentives mix and position in the market; and
  - general pensions philosophy;
- on an annual basis, examine and assess the performance of members of the Executive Committee and determine the individual compensations of the members of the Executive Committee in accordance with the policy decided by the Board. For members of the Executive Committee, excluding the CEO, the GNCC consults with the Chair of the Executive Committee who makes recommendations.

The Board is informed of the Committee's decisions regarding the Chair of the Executive Committee and on an aggregate basis (base salary, bonus cash, pension, insurance and other benefits) for the other members of the Executive Committee. For free stock awards and stock options for the Executive Committee Members the information will be individualized;

- approve any changes in the system of remuneration of the UCB Group's senior executives;
- determine the criteria for awarding free stock or stock options within the free stock or stock option plans, as decided by the Board;
- recommend for Board approval the global award criteria and the maximum amount of company shares to be committed per stock awards plan, stock options plan, stock purchase plan, stock performance plan, as well as the company performance criteria for the latter;

- draft appointment procedures or propose modifications thereof for Board members, Chair of the Executive Committee and members of the Executive Committee;
  - prepare the Remuneration report included in the Corporate Governance Statement of each annual report and comments it at the annual shareholders meeting;
  - annually review the status of corporate governance and the Corporate Governance Charter;
  - review its terms of reference and recommend any necessary changes to the Board;
  - review the Corporate Governance Statement for inclusion in the annual report;
  - review regularly and at least once per year the compliance of the Company with Corporate Governance, as set forth in the Company law or the Code.
- 4.3.1.3. The Chair of the Board and of the GNCC, and, as the case may be, the Vice-Chair of the Board are responsible for conducting the regular assessment process of the Board and for reporting the results to the Board (see 3.5.).

#### **4.3.2. Composition of the GNCC**

The GNCC is composed of three non-executive Directors of various experience and skills, who are all independent from management. A majority of the members meet the independence criteria set by article 526ter of the Belgian Companies' Code and have the required competencies in remuneration policy. The Board is of the opinion that the independence required to fulfill the duties entrusted to the GNCC in the best interests of UCB, is to be measured versus management and that the presence of a member representing the Reference Shareholder does not, in nomination or compensation matters, prevent the best decision making process; to the contrary: as all the other shareholders of UCB, the Reference Shareholder who is not directly involved in the executive management of UCB has a particular interest to have the best organization in place to govern UCB, with a right balance of power between shareholders and management at a cost that is appropriate and reasonable.

The GNCC is chaired by the Chair of the Board.

#### **4.3.3. Functioning of the GNCC**

- 4.3.3.1. The GNCC is to meet at least twice a year and additionally whenever circumstances make this appropriate.
- 4.3.3.2. The GNCC is attended by the Chair of the Executive Committee - except when it deals with issues discussed which directly concern him - and the Executive Vice President Human Resources, who is also the Committee's secretary for the meetings. It is also advised by external experts when this is deemed useful.

## **4.4. Scientific Committee**

### **4.4.1. Terms of reference**

The Scientific Committee assists the Board when reviewing the quality of UCB's R&D science and its competitive standing. It assesses the strategy proposed by UCB's management in R&D matters and communicates its recommendations to the Board.

The members of the Scientific Committee are also closely involved in the activities of UCB's Scientific Advisory Board (SAB) composed of external leading scientific medical experts. The SAB was created in September 2005 by the Executive Committee to critically review the R&D activities of UCB, to provide scientific appraisal and strategic input as to the best way for UCB to become a robust and thriving biopharmaceutical leader and to advise the Executive Committee on the strategic choices related to early stage R&D. The Scientific Committee's main task is to report to the Board on the SAB's appraisal of UCB's research activities and strategic orientations.

### **4.4.2. Composition**

The Committee is composed of two members who have outstanding scientific medical expertise.

### **4.4.3. Functioning**

The members of the Scientific Committee attend the meetings of the SAB and meet regularly with the Executive Vice President & President UCB NewMedicines. The Scientific Committee reports to the Board after each SAB meeting.

## **5. THE EXECUTIVE COMMITTEE**

### **5.1. Role and Responsibilities of the Executive Committee**

The role and responsibilities of the Executive Committee are established by the Board.

#### **5.1.1. Terms of reference**

The Executive Committee constitutes UCB's top management.

It directs the UCB Group in its widest context and ensures sound operation of general UCB Group management.

It ensures implementation, checking and coordination of the UCB Group's strategic plans in the areas of research and development, operations, financial, administrative, risk and legal issues, human resources and investment.

It may delegate part of its functions to the Chair of the Executive Committee.

The Executive Committee, in particular, is charged with the following functions by the Board:

1. daily management of UCB. The daily management of UCB subsidiaries or companies linked to UCB is nevertheless entrusted to general managers appointed by the Board from each entity, which may in turn be composed of all or some members of the Executive Committee;
2. it submits to the Board all matters for which the Board is responsible;
3. it implements the strategies and decisions of the Board;
4. it draws up a report on the execution of its functions for the Board;
5. in matters not relating to Human Resources, it proposes the following to the Board via the Chair of the Executive Committee:
  - a. the values of the UCB Group, its mission and its general strategies (their preparation and implementation), its risks tolerance and key policies;
  - b. the annual budget (including the R&D program and the capital plan) and any increase in the overall annual budget (including the R&D program and the capital plan) with a balanced and understandable assessment of the company's financial situation;
  - c. long term or major financial operations;
  - d. for a timely disclosure to shareholders and financial markets, the yearly and half-yearly financial statements of the UCB Group and UCB, and material financial and non-financial information;
  - e. the framework of internal control and risk management;
  - f. creating, establishing, closing, settling or transferring subsidiaries, branches, production locations or major divisions exceeding a value of € 50 million;

- g. allotment, merger, acquisitions, division, purchase, sale or pledging of assets (other than those referred to in sub-section h. below, instruments and shares, equity and equity like investments, in and out-licensing of intellectual property and product divestments of a value exceeding € 20 million and involving third parties;
  - h. purchase, sale or pledging of real estate property assets to a value exceeding € 50 million and real estate leases over a period exceeding 9 years for an aggregate amount of expenditures exceeding € 20 million;
  - i. at the end of every semester, the charitable donations in excess of € 10,000 YTD to each single beneficiary;
6. in matters concerning Human Resources, it proposes the following to the Board:
- executive management structure and general organization of the UCB Group and of UCB;
  - proposed appointments and dismissals of senior executives;
  - candidates from outside UCB for the post of UCB representative in certain organizations or for directorship posts at subsidiaries, whose appointment requires the approval of the Directors;
7. it approves the UCB Group's operating budget and the long term plans it submits for the opinion of the Board of Directors;
8. it takes decisions with regard to the following:
- major short term operations, and cash and banking operations not reserved for the Board;
  - allotment or transfer of UCB Group shareholdings and similar operations not reserved for the Board;
  - operations in relation to real estate, not reserved for the Board
  - activities within the approved annual budget or approved updates (including the R&D program and capital plan). In its responsibility for the daily management of UCB, the Executive Committee takes decisions for major engagements and commitments, not reserved for the Board;
  - it has delegated to each of its members, the day to day management of UCB that belongs to his/her scope of activity as well as the thereto related engagements or commitments for amounts not exceeding € 10 million if covered by the annual operating budget and within the limits approved by the Executive Committee;
  - the Executive Committee has authorized each of its members to subdelegate, under their responsibility, part of these powers to their staff, within limits approved by the Executive Committee;
  - commitments and engagements under the delegation of authority by the Executive Committee to its members are made subject to the appropriate segregation of duties as defined by the Executive Committee and under the supervision of the financial controller;
  - commitments and engagements under the subdelegation of authority by the members of the Executive Committee to their staff are made subject to the appropriate segregation of duties as defined by the Executive Committee and under the supervision of the financial controller;
9. with regard to appointments:
- it draws up a classification of the existing posts at UCB;

- it decides appointments, modifications of function and revocations of those holding senior management posts, and draws up a list of these;
- it delegates the task of appointments of UCB's staff to members of the Executive Committee and other senior UCB Group Vice-Presidents (SVPs), with the exception of appointments to senior management;
- it authorizes the managers referred to in the point above to delegate the responsibility for staff appointments to certain members of their staff, except in the case of management and other senior posts;
- it pronounces on the candidature of members of UCB Group staff for directorship functions or as managers of subsidiaries or affiliates;
- it approves the candidate(s) for Auditor's functions at subsidiaries or affiliates on the recommendation of the Executive Vice-President Finance.

10. with regard to remuneration, on a yearly basis, it sets out its remuneration policy and the rules concerning adaptation of fixed and variable remuneration of UCB's staff not reserved for the GNCC or the Board.

### **5.1.2. The Chair of the Executive Committee**

The principal functions of the Chair of the Executive Committee are as follows:

1. with regard to appointments and dismissal:
  - he recommends to the GNCC, following consultation with its Chair, for approval by the Board, the appointment and dismissal of members of the Executive Committee;
  - on behalf of the Executive Committee, annually he or she proposes to and reviews with the GNCC the succession planning and development for Executive Committee members;
  - on behalf of the Executive Committee, he or she recommends appointment or dismissal of senior executives to the Board;
2. he or she presides over, organizes and directs the Executive Committee. In this capacity, in particular he or she decides the agenda and the proposals to be discussed by the Committee. He or she holds the casting vote in the event of a tie;
3. he or she submits reports to the Board where there is divergence of opinion among a majority of members of the Executive Committee and the Chair of the Executive Committee;
4. he or she reports to the Board on behalf of the Executive Committee;
5. he or she is responsible for preparing, executing and supervising decisions concerning development of UCB, allocation of financial resources and purchase or transfer of know-how, patents and trademarks;
6. he or she may be entrusted, by the members of the Executive Committee, with the exercise of all or part of daily management at UCB and the organization and supervision of subsidiaries and companies linked to the UCB Group;
7. with regard to remuneration:
  - he or she recommends to the GNCC in conjunction with its Chair, overall remuneration and any other fixed or variable allowances allocated to the other members of the Executive Committee;

- with respect to the structure and form approved by the Board, and in conjunction with the Chair of the GNCC, he or she sets the remuneration for Directors and Auditor(s) at subsidiaries or associated companies where these posts are remunerated;
  - he proposes to the GNCC, in conjunction with its Chair, the criteria for grant of free UCB stock, performance shares or stock options, which may be awarded by decision of the General Meeting of Shareholders or the Board to UCB's staff and/or groups of staff;
8. he or she sets the conditions, salaries and bonuses to be awarded to senior executives;
  9. he or she may delegate a number of his/her tasks with regard to remuneration to other members of the Executive Committee.

## **5.2. Composition of the Executive Committee**

As from 1 March 2017, the Executive Committee is composed of 11 members of whom only the Chair is a Director.

### **5.2.1. Duration of mandates and age limit**

No specific duration has been set for the term of a member of the Executive Committee. The age limit has been set as the age of retirement.

### **5.2.2. Criteria for appointment and assessment**

The Board has not set any specific criteria as to appointment of members of the Executive Committee. Using rigorous selection procedures carried out under the supervision of the GNCC and in consultation with the Chair of the Executive Committee with respect to colleagues, the Board ensures that the Committee's composition and powers provide a response to the need for implementation of UCB's strategy and the management of UCB at the time of appointment and over the entire organization and that the members offer the range of skills and experience that the scale and complexity of UCB's business require.

Performance of members of the Executive Committee is assessed on an annual basis by the GNCC.

### **5.2.3. Procedure for appointment and renewal**

The Chair of the Executive Committee is appointed by the Board on proposal of the GNCC.

The other members of the Executive Committee are appointed by the Board, on the recommendation of the Chair of the Executive Committee and on the proposal of the GNCC.

## **5.3. Functioning of the Executive Committee**

**5.3.1.** The Executive Committee meets at least once a month allowing for sufficient time to take appropriate decisions in running UCB's business and for implementing and reviewing its strategy. The Chair of the Executive

Committee sets the agenda for meetings, particularly in accordance with decisions to be proposed to the Board, and also in relation to proposals from other members of the Executive Committee or other senior executives in areas reserved for it. The agenda also takes due consideration of a program, drawn up annually by the Committee as a review of strategy in the field of research and IP, development, technical and commercial operations, financial management, purchasing, IT, legal, UCB's culture and management of human talent, communication and of the main risks and challenges facing the UCB Group.

- 5.3.2.** The documentation required for meetings of the Executive Committee is sent to members through the Committee secretary, three days before the meeting. Copies of the minutes of meetings are sent to the members of the Committee, to the Chair and Vice-Chair of the Board. Decisions are notified to be followed up by the persons concerned within the UCB Group.
- 5.3.3.** Decisions of the Executive Committee are taken by consensus. In the event of diverging opinions between a majority of the members of the Executive Committee and its Chair, the Board pronounces at the request of the Chair of the Executive Committee.

## **5.4. Remuneration of the members of the Executive Committee**

### **5.4.1. Remuneration Policy**

The policy of remuneration for members of the Executive Committee is set by the Board on the basis of recommendations by the GNCC. Individual remuneration for members of the Executive Committee is delegated to be set by the GNCC and communicated to the Board on an individual basis for the Chair of the Executive Committee and on an aggregate basis for the other members of the Executive Committee.

The policy ensures that the compensation programs of the members of the Executive Committee, including stock options and awards, pension schemes and termination arrangements, are fair and appropriate to attract, retain and motivate management and are reasonable in view of UCB's economics and the relevant practices of comparable global biopharmaceutical companies. For the members of the Executive Committee and its senior executive levels, the benchmarks are based on the nature of each individual role and the origin of the employment contract. As a result of this, UCB maintain two separate comparator groups for both US and European positions. They link significant portion of equity-based compensation to short and long-term Company financial and nonfinancial performance and strategic goals.

According to this policy, the remuneration package is broken down into a base salary (fixed), a short term incentive (bonus) and a long term incentive plan. The long term incentive plan includes a free share plan, a stock options plan and a share performance plan. The participations to these plans are subject to employment conditions within UCB. Members of the Executive Committee are also entitled to an extra-legal pension plan.

Remuneration of members of the Executive Committee is reviewed on an annual basis by the GNCC. The amount of remuneration is determined in consideration of the nature and extent of the responsibilities of each member of the Executive Committee, with reference to the market for comparable posts of responsibility.

An assessment of the individual performance of the Chair of the Executive Committee and members of the Executive Committee is subject to deliberation by the GNCC.

The reference market used to gauge the competitiveness of each post is composed of UCB's peers: European global companies in the biopharmaceutical sector.

The short term incentive is based on criteria of individual performance and UCB Group performance. The objectives relating to the UCB Group part and the individual part are set at the beginning of the year by the GNCC, and approved by the Board.

Once a year, members of the Executive Committee are awarded, as long term incentives, a number of UCB shares and options, as per the rules of plans approved by the Board. For each member, the GNCC determines the number of shares and options to be awarded, and this number may vary in accordance with individual performance and Company's performance, and is communicated on an individual basis to the Board.

They benefit, as do a considerable number of UCB's employees, from an extra-legal pension plan in addition to legal pension plans, which aims to reduce as much as possible the difference in resources before and after retirement. This additional pension is financed by personal contributions by the beneficiaries, by collective contributions by UCB to pension funds and by the income generated by the funds.

#### **5.4.2. Disclosure of remuneration**

The Company publishes a Remuneration Report in the Corporate Governance Statement of its annual report. The report discloses a statement on the remuneration policy for the members of the Executive Committee applicable for the financial reported year and:

1. on an individual basis, the remuneration and other benefits granted directly or indirectly to the Chair of the Executive Committee, by UCB or any other affiliate belonging to the UCB Group with a split between:
  - base salary;
  - short term incentive (bonus): any incentive relating to the financial reported year;
  - long term incentive (number of UCB shares awards and options); and
  - other components of the remuneration, such as cost of pension, insurance coverage, monetary value of other fringe benefits, with an explanation and if appropriate, the amounts of the main components;
2. on a global basis, the remuneration and other benefits granted directly or indirectly to all the other members of the Executive Committee by UCB or any other affiliate belonging to the UCB Group with a split between:
  - base salaries;
  - short term incentive (bonus): any incentive relating to the financial reported year; and
  - other components of the remuneration, such as cost of pension, insurance coverage, monetary value of other fringe benefits, with an explanation and if appropriate, the amounts of the main components;

3. on an individual basis for each member of the Executive Committee the number and key features of shares awards, share options or any other right to acquire shares, granted during the year;
4. the main contractual terms on hiring and termination arrangements for each member of the Executive Committee.

## **6. EXTERNAL AUDIT**

### **6.1. Roles and responsibilities of the External Auditor(s)**

The duties, powers and responsibilities of the External Auditor(s) are defined by law and by the Articles of Association of UCB.

### **6.2. Appointment of the External Auditor(s)**

According to Belgian Law the External Auditor(s) of the UCB Group and UCB is (are) appointed for three years by the General Meeting of Shareholders upon proposal of the candidate(s) by the Board and on presentation of the Work Councils. His/her (their) terms may be renewed, subject to certain limitation as provided for in the applicable laws and regulations. The Board makes these proposals for appointment upon the recommendation of the Audit Committee which is responsible for the selection process .

. Since the Shareholders' meeting held in 2009, the External Auditor of UCB is one global audit firm represented by a permanent representative.

### **6.3. Independence of the External Auditor(s)**

- By decision of the Board on a proposal of the Audit Committee and according to Corporate Governance best practices, the Auditor(s) and the companies with which he or she (they) is (are) associated, carry out only activities that are permitted under Belgian law, that will not impair his/her (their) independence and which have been approved in advance under the limits established by the Audit Committee.
- The Audit Committee examines on a regular basis, a report from the External Auditor(s) describing the services rendered by the Auditor(s) and the related fees.
- The Board is of the opinion that the renewal for more than one term of the External Auditor(s) term, and subject to the applicable legal limitations, is not of such nature as to affect his/her/their independence; to the contrary their experience within/ and knowledge of the UCB Group, of its control and reporting processes are considered a key asset in efficiency and cost-effectiveness.

### **6.4. Remuneration of External Auditor(s)**

- According to the law the General Meeting of Shareholders sets the emoluments of the External Auditor(s) for the whole term (three years) of his/her (their) appointment which is a fixed amount.
- The annual fees of the External Auditor(s) for the audit of the UCB Group's consolidated accounts and of UCB's statutory accounts are disclosed in the relevant annual report.
- On an annual basis the Audit Committee examines and approves if necessary the additional fees charged by the External Auditor(s) to UCB or to the UCB Group's affiliates in excess of the fees approved by the General Meeting of Shareholders and to be disclosed, according to the law, in UCB's relevant annual report.

## **7. RULES OF BUSINESS CONDUCT AND ETHICS**

Ethical conduct is vital to a corporation's sustainability and long term success in several ways, including enhancing organizational effectiveness (e.g., through heightened trust and cooperation) reducing the risk of damaging misconduct and strengthening UCB's reputation. In view of ensuring that a strong ethics framework is in place the Board has approved a set of ethical principles and rules of conduct in the most sensitive areas. Good ethics practices originate at the top and flow down through the organization; in every circumstance Board members and management adhere to unimpeachable ethical standards.

### **7.1. Conflict of Interests rules** (for the Board members specific rules see 3.3.4.)

If a member of the Executive Committee has a proprietary or personal interest in a decision or transaction that conflicts with the interests of UCB, he or she informs the Chair of the Committee and he or she may not take part in the deliberations or voting on that matter. The minutes relating to the discussion and decision concerning the issue, object of the conflict will mention the abstention and the nature of the conflict.

Each year the Committee members make a report to the Committee describing, as the case may be, all relationships, proprietary or personal, between them or the companies with which they (or a close family member) have a close link (such as an executive function, a directorship, a controlling shareholding), and UCB or its affiliates.

### **7.2. Confidentiality of inside information**

The Directors, managers and employees undertake to maintain the confidentiality of information and deliberations. Confidential inside information whether it relates to UCB or to a third party will only be used for the purpose it has been provided for. It will only be passed on to others if necessary in view of this purpose and the proper execution of the projected tasks.

### **7.3. Private investment transactions and trading in UCB's shares**

Confidential inside information whether it relates to UCB or to a third party will not be used by employees (Directors, Executive management and other employees) for personal benefit. The Board has approved a Dealing Code which is available on [www.ucb.com](http://www.ucb.com). UCB will disclose inside information to the market in accordance with the applicable Market Abuse regulations.

---