



UCB Remuneration Policy 2020



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

1. UCB REMUNERATION POLICY 2020

In accordance with the 2020 edition of the Belgian Code of Corporate Governance ('2020 Code') UCB SA/NV, a Belgian listed company, has established a remuneration policy ('Remuneration Policy 2020') which describes the reward philosophy and related policies applicable to the remuneration of UCB's Executive Committee and Board members (executive and non-executive directors).

The Remuneration Policy 2020 is overseen by our Governance Nomination & Compensation Committee ('GNCC'), whose role and responsibilities are described in the Corporate Governance Charter adopted by our Board of Directors. The Remuneration Policy 2020 describes UCB's rationale on how we have developed our remuneration policies and practices in view of our specific context and strategy, considering relevant market practices and in line with the requirements of our Corporate Governance framework.

The Remuneration Policy 2020 was approved by the GNCC on February 18, 2020 and approved by the Board of Directors on February 19, 2020. The Remuneration Policy 2020 is to be submitted at the General Meeting of Shareholders on April 30th, 2020 and will be applicable as from the financial year starting on January 1st, 2020. It is available on the UCB website.

2. INTRODUCTION

UCB is a global biopharmaceutical company focusing on creating value for people living with severe diseases, now and into the future.

Operating in a complex and dynamic environment at a global level, we need our reward offering to enable us to attract those people that can best support us in navigating in this environment so that we can bring value to patients that need solutions.

Our priority is to reflect, in our rewards, the strong cultural foundation shared by our colleagues and to continue to strengthen our strategic capabilities, truly differentiating UCB as a patient-preferred biopharma leader.

3. REMUNERATION POLICY FOR BOARD MEMBERS

UCB's Board members (non-executive directors) are compensated for their services through a cash-based compensation program. The level of pay has been set based on benchmarks which include the remuneration of Board members of comparable European biopharmaceutical companies. We look to attract diverse set of Board member profiles that represent our market footprint, so in terms of remuneration – we consider both European Biopharma as well as BEL 20 benchmarks, with European Biopharma data constituting the primary reference, given our need to attract experts with a deep knowledge of our industry. The median levels of this peer group are the target. The proposal for the Chair is between the 25th percentile and median of the benchmark and at median level for the other Directors.

Board members' pay consists of a fixed annual payment for the Board and committee membership which can vary based on the specific mandate. Board members also receive a fee per meeting attended except for the Chair of the Board who receives only a fixed annual payment. The annual payments are pro-rated according to the number of months served as an active Board member during the calendar year. No long-term equity incentives nor other form of variable pay are granted. Following a full benchmarking and adjustment of Board remuneration made in 2019, and the position that shareholding could create a conflict of interest for long-term mandates, there is no plan to introduce a portion of remuneration in shares of the company for non-executive directors. An update to the level of pay was approved at the General Meeting of shareholders of 25 April 2019. The remuneration levels for UCB Board members are set as follows:

	Board fees		Committee fees			Other
	Annual fees	Board Attendance fees (per meeting)	Audit	Scientific	GNCC	Travel Allowance
Chair of the Board	€ 240 000	–	€ 33 500	€ 33 500	€ 22 500	
Vice Chair	€ 120 000	€ 1 500				
Directors	€ 80 000	€ 1 000	€ 22 500	€ 22 500	€ 17 000	
Special Travel Allowance						€ 7 500

To take into consideration the considerable travel of some Board members, a special travel allowance was also approved with the updated fees, for those residing in a country where the time zone difference with Belgium is 5 hours or more (in addition to regular travel expense reimbursement).

Directors are appointed and the length of their terms are approved by the General Meeting of Shareholders. They are at all times subject to dismissal by the General Meeting of Shareholders.

Each member of the GNCC and Board member acts without conflict and always puts the interests of UCB before his/her personal interests. In case a conflict of interest is recognized in the determination of an element for the remuneration policy, conflict of interest guidelines, as outlined in the Governance Charter, are followed (Chapter 3.3.3 and 3.3.4).

4. REMUNERATION POLICY FOR EXECUTIVE COMMITTEE MEMBERS

To enable our culture to be deeply rooted, we continuously review how our reward tools and programs support our patient value strategy and long-term sustainable growth ambition. The following principles serve as a backbone to the design of our rewards offering across our entire workforce, so that it can support us in:

- Stimulating sustainable high performance and supporting our Patient Value ambition in a dynamic talent landscape;
- Enabling an environment of innovation, collaboration and personal growth;
- Providing an optimal individual experience by caring about our employees as we do for our patients.

The GNCC ensures that the reward programs applicable to the members of the Executive Committee, including equity incentives, pension schemes and other benefits, are aligned to these principles, are consistent with the overall remuneration framework of the Company, and are fair and appropriate to attract, reward, retain and motivate the Executive Committee team.

The remuneration policy for members of the Executive Committee is set by the Board of Directors based on recommendations by the GNCC. The GNCC meets at least twice per year during which time it:

- considers the market factors affecting the company's current and future pay practices;
- evaluates the effectiveness of our remuneration policies in recognizing performance and determines the appropriate evolution of the plans;
- reviews the financial and non-financial targets of the different performance-based compensation programs and
- determines the compensation levels of UCB's Executive Committee team in view of their individual roles, competencies and performance

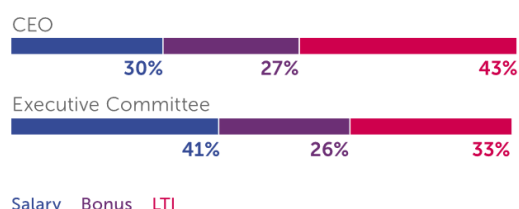
BENCHMARK FOR OUR REWARD PROGRAM

In line with our total reward principles, the form and level of our executive remuneration should be aligned to company performance, individual skills and performance and the relevant practices of comparable global biopharmaceutical companies with which we compete for talent. The GNCC regularly considers the appropriate mix and level of cash and equity awards to offer to its executives based on recommendations from the Talent and Company Reputation department. These recommendations are reviewed with our independent compensation consultant, to ensure the market competitiveness of our total direct compensation and to take into consideration market trends affecting our sector. An individual market assessment is typically conducted every other year to assess the competitiveness of the total direct compensation components for each executive.

The compensation package is composed of two main elements:

- a fixed compensation element: base salary
- a variable compensation element: consisting of a bonus and long-term incentives

The CEO and Executive Committee target total direct compensation mix is as follows:



UCB benchmarks its executive total compensation against a defined comparator group of international companies within the biopharmaceutical sector (companies with pharmaceutical and/or biotechnology activities). In the benchmark we take a focused approach to peer companies in Europe as well as the U.S. The companies in our peer group vary in size and therapeutic area. We prioritize peer companies that are fully-integrated biopharmaceuticals operating in a complex research-driven environment and including development and commercialization capabilities. Where possible we aim to include companies competing in the same therapeutic areas. While we target companies that broadly reflect UCB's size, given that this is a limited group which would not provide robust data, company size is not the primary factor as regression analysis is also used to adjust data to UCB's size. We currently have 14 companies in each of our European and US peer groups.

The composition of our compensation peer group is monitored regularly and adjusted when appropriate, for instance when industry consolidation leads to less robust benchmarking.

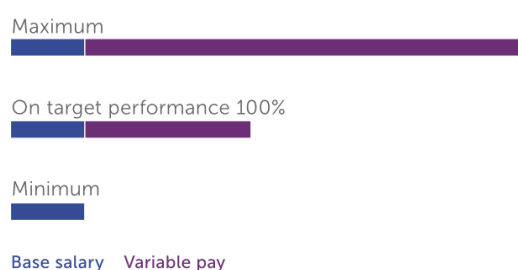
UCB's competitive positioning policy is to target median pay levels of this comparator group for all elements of total direct compensation. The LTI target levels are benchmarked against European biopharma levels. The actual compensation for each individual is determined considering their experience in relation to the benchmark as well as their impact on company performance.

The GNCC is guided by the benchmark set above, as well as the compensation program described below. Under exceptional and isolated circumstances which serve the long-term interests of UCB, the GNCC may deviate from this Remuneration Policy 2020, for instance in case of a special retention award would be required, in view of market pressures. In case this would be required, the GNCC would present a special request for an exception to the Board, for discussion and approval.

COMPENSATION ELEMENTS AND PAY FOR PERFORMANCE

Our compensation program compensates executives for their responsibilities as well as individual and corporate performance. Both the short-term (bonus) and long-term incentives consider performance against targets which are set by the Board. Throughout the performance period, the ongoing achievements are monitored and at the moment of vesting or payout, the final results are validated by the corporate finance department before final approval by the Audit Committee and the Board.

The total direct compensation (base salary, bonus and long-term incentives) is highly variable depending on individual and corporate performance as illustrated below. A bonus will only be due if an acceptable threshold of company and/or individual performance is achieved. To reach 100% of bonus a stretched target must be met and only with very exceptional company and individual performance can the maximum be achieved. The pay for performance impact can be illustrated as follows for the CEO and is described in more detail later in this section.



In addition to the base salary and performance-related incentive pay, our executives are eligible for a range of benefits and perquisites. The remuneration structure is in line with market compensation practices as well as Belgian corporate governance legislation and European regulations on executive compensation.

The GNCC makes compensation proposals for the CEO to the Board. The CEO provides compensation recommendations for the other Executive Committee members to the GNCC for endorsement.

Below we describe how each element of remuneration is determined and how performance is embedded in the variable components.

FIXED COMPENSATION COMPONENT: BASE SALARY

The target base salary is defined in relation to the specific job dimensions and the median level of base salary that the market typically pays for such a role. The actual base salary level of the individual depends on the extent to which he/ she impacts the business and their level of skill and experience. The evolution of base salary depends on the individual's level of sustained performance and the evolution of the benchmark. Annual increases are largely in line with average salary movements across the wider workforce in the applicable geography.

VARIABLE COMPENSATION COMPONENTS

Target variable compensation levels (bonus and long-term incentives or "LTI") are set considering the median market level of our compensation peer group. These targets are subject to the application of performance multipliers which consider company performance, individual results as well as individual behaviors and a holistic consideration of long-term value creation for patients.

VARIABLE COMPENSATION: BONUS

The bonus is designed to reward employees for the performance of the company and of the individual over a time horizon of one year. The bonus target is subject to a double performance multiplier which consists of a Corporate Performance Multiplier ("CPM") and an Individual Performance Multiplier ("IPM"). The mechanism provides a direct link between individual contribution and company performance which are interdependent. The calculation mechanism delivers significant value when both company and individual performance are above expectations. Conversely if company and/or individual performance levels are lower than expectations this is reflected through significantly diminished value. As the bonus calculation is based on a double multiplier, a Corporate Performance Multiplier of 0% results in there being no bonus payout, regardless of individual performance. An Individual Performance Multiplier of 0% also results in there being no bonus payout, regardless of Corporate performance.

To drive a focus on revenue growth but also on underlying profitability, UCB considers annual Recurring Earnings Before Interest Tax Depreciation and Amortization ("REBITDA") as the short-term corporate performance metric for its Executive Committee as well as for the wider workforce. The Corporate Performance Multiplier is defined by the percentage of actual REBITDA versus the budget, at constant exchange rates, translated into a payout curve which ensures that only an acceptable range of performance is rewarded. The target is set at a level that the GNCC considers to be suitably challenging while the payout curve is balanced to incentivize high performance, while not encouraging excessive risk-taking. A threshold is set at a level that is deemed to be the minimum acceptable level of performance, and as the target is stretched, the maximum can be reached only if truly exceptional performance is attained. The payout curve for our executives is currently set as follows:

Recurring EBITDA vs. target	Payout
<85%	0%
85%	30%
93%	90%
100%	100%
106%	110%
113%	150%

UCB periodically reviews its short-term corporate performance metric in view of business and stakeholder priorities.

The Individual Performance Multiplier (“IPM”) is defined considering the extent to which annual objectives have been met as well as the behaviors demonstrated by the individual, evaluated against UCB’s Patient Value principles.

The objectives for the CEO are proposed by the GNCC for approval by the Board of Directors. For the CEO as well as the Executive Committee, these objectives are set and agreed at the beginning of the year. Feedback is shared with each Executive Committee member throughout the year, to ensure a sharp focus on expected results and to provide essential input into areas of improvement and development. A final review is conducted at the end of the performance period. During the year-end review, the GNCC proposes the Individual Performance Multiplier (“IPM”) for the CEO to the Board based on the performance assessment at the end of the cycle. The CEO proposes the IPM for each of the other Executive Committee members to the GNCC for endorsement. In discussing individual performance, the GNCC considers the achievement of the financial, quantitative objectives of the CEO as well as the non-financial aspects.

For the CEO and the Executive Committee, the review includes the extent to which the individuals have carried out their duties in line with UCB’s Patient Value principles and expected leadership behaviors.

Non-financial criteria on which each Executive Committee member is evaluated include:

- Achievements in line with UCB’s strategic priorities, both financial and non-financial
- Strategic input and impact
- Leadership in line with our Patient Value principles

Each criteria is developed and calibrated on an annual basis in line with company strategy, with clear and measurable performance indicators.

The target bonus is set as at 90% of base salary for the CEO and 65% for the other Executive Committee members. The overall bonus opportunity is capped at 175% of the target for the CEO and the Executive Committee.

VARIABLE COMPENSATION: LONG-TERM INCENTIVES (LTI)

To ensure sustainable performance, our Upper Management remuneration practice links a significant portion of equity-based compensation to mid-term and long-term company financial and non-financial strategic goals. The LTI program is benchmarked against European biopharmaceutical company practices. Our current program for our executive committee is a two-tiered incentive program which includes a stock option plan and a performance share plan. To ensure a high company performance driven focus, Stock awards, that vest based on time-based criteria, are part of our LTI mix for others in the organization, but not for our Executive Committee. Eligibility for participation in the LTI Plans is at the Board’s discretion.

The long-term incentive target is expressed as a percentage of base pay and is reviewed periodically. At target levels long-term incentives represent 140% of base pay for the CEO and 80% for the other Executive Committee members. The actual grant size is adjusted in view of individual past performance as a proxy for future impact and value creation, as well as other factors such as market premiums for certain roles. The resulting value is translated into a number of long-term incentives using the binomial value of each award and spread across our long-term incentive vehicles based on a set allocation. This allocation is reviewed periodically, and the current allocation 30% stock options and 70% performance share plan. The current long-term incentive vehicles for the CEO and our other Executive Committee Members include:

STOCK OPTIONS

The Stock Option plans allow the beneficiary to purchase a UCB share at a certain price following defined vesting period. The vesting period is typically three years from the date of grant but can be longer depending on local practices. Once vested, stock options can be exercised when the share price exceeds the grant price and thus executives are incentivized to increase the share price over the vesting period. Other vehicles which follow the same vesting rules as the Stock Option Plans may be used outside of Belgium depending on local practices. UCB does not facilitate the entering into derivate contracts related to Stock Option, or hedge the risk attached, as this is not

consistent with the purpose of the Stock Options. In the U.S., Stock Appreciation Rights are granted instead of stock options. These follow the same vesting rules as the Stock Option Plans but are settled in cash rather than in shares according to the appreciation in value of UCB stock. All stock options and stock appreciation rights expire on their tenth anniversary from the date of grant. The grant price is fixed on the grant date without further discount on the underlying UCB share price. For executives holding a Belgian contract taxes are due at the moment of grant based on the underlying value of the options.

PERFORMANCE SHARE PLAN

The Performance Share Plan aims at rewarding executives for specific achievements aligned with company strategic priorities. Performance shares are grants of UCB common stock to the executive group for which certain pre-established company-wide targets must be met at the time of vesting to trigger payout. The performance criteria and targets are defined by the Board upon proposal of the GNCC at the time of grant. The metrics used in this plan must be relevant to company and stakeholders interests while being within the influence and control of our executives. They also must be measurable over the plan's time horizon of 3 years.

The number of shares awarded at grant is adjusted at the end of the vesting period, 3 years later, based on the company's performance against its goals over this period. If actual company performance is below a specified threshold or the beneficiary leaves prior to vesting, then no shares are awarded. The maximum vesting is at 150% of the original grant which is due if results are significantly above the original targets. The target is set at a level which is sufficiently stretched, and the maximum is linked to performance that would be considered exceptional.

With UCB's current mid-term strategic priorities, the plan currently has two criteria: Adjusted Cumulative Operating Cashflow and Compounded Revenue Growth, to ensure a continued emphasis on growth and sustainability, so that we can continue to invest in innovative solutions for patients.

Given that the current mix of LTI consists of performance shares that only vest upon meeting stretch performance goals, and stock options, which are by design long-term vehicles, UCB does not currently require the CEO or the Executive Committee member to hold a minimum threshold of shares. The weight of LTI in our overall pay mix results in our Executive Committee members having a meaningful stake in unvested (and vested) LTI at any moment. We continue to monitor emerging practices around shareholding guidelines to ensure alignment with shareholder interests.

OTHER COMMENTS ON VARIABLE PLANS

The GNCC has considered the feasibility of applying claw-back and malus conditions in its variable pay plans. Given the uncertainties around the validity and interest of claw-back clauses under Belgian law, UCB has currently not introduced claw-back provisions in its variable pay programs.

The GNCC will continue to closely monitor the evolution of these practices in Belgium.

PENSIONS

As the Executive Committee is international in composition the members participate in the pension plans available in their country of contract. Each plan varies in line with the local competitive and legal environment. All defined benefit plans at UCB are either frozen or closed to new entrants to the extent feasible. Any new Executive Committee members would therefore automatically join either a defined contribution or cash balance plan. The pension plan for the CEO is shared below. The pension plans for each member of our Executive Committee is shared in the remuneration section of the annual report.

The CEO and Belgian based Executive Committee members participate in a cash balance retirement benefit plan which is fully funded by UCB. This is the same plan as applicable to other Belgian eligible employees. The benefit at retirement age is the capitalization at a guaranteed rate of return of the employer's annual contributions during affiliation with the plan. The CEO and Executive Committee members also participate in the UCB Executive supplementary defined contribution plan.

Given the international character of our Executive Committee as well as the dispersal of our various activities across different geographies, our Executive Committee members each participate in retirement plans as governed by different local jurisdictions.

OTHER REMUNERATION ELEMENTS

Members of the Executive Committee also participate in an international healthcare plan and to an executive life insurance. Executive Committee members are also provided with certain executive perquisites such as a company car and other benefits in kind. Executive Committee members that were previously or are now on assignment internationally with UCB can receive additional benefits in kind in line with our Corporate International Mobility policies. These may include (but are not limited to): relocation, housing allowance, home leave, tax and social security equalization. All of these elements are disclosed in the annual report in the section Compensation of the Chief Executive Officer and the Executive Committee. The remuneration policy for the members of the Executive Committee is extensively described in UCB's Charter of Corporate Governance (under 5.4.) available on the UCB website.

TERMINATION ARRANGEMENTS

Given the international character of our Executive Committee as well as the dispersal of our various activities across different geographies our members have agreements governed by different legal jurisdictions. That being said, we strictly follow Belgian corporate governance requirements for all agreements, i.e. not to exceed 12 months base salary and bonus, unless legally obliged to follow local legislation of the individual contract or if termination arrangements pre-dated the entry into force of the Belgian law with the current requirements. The termination agreement of the CEO is shared below. The termination agreement for each member of our Executive Committee is shared in the remuneration section of the annual report.

A Belgian service contract was established during 2014 for Jean-Christophe Tellier and maintains similar termination conditions to those that were in place under his previous U.S. employment agreement comprising a lump sum equal to 18 months base compensation plus the average of the actual bonuses paid for the three previous years in case the contract is terminated by the company or in case of a change of control of UCB.
