# Explanatory Note on proposed changes to the UCB Remuneration Policy

## Context

UCB has undergone a significant transformation in both global reach and performance, positioning itself for a decade of growth and establishing itself as a global leader in immunology and neurology. Over the past 24 months, following substantial investments in innovation, UCB has secured 25 new approvals and launches in key markets, including the United States, Europe, Japan, and many others worldwide. As a result, UCB is experiencing rapid and substantial growth and increasing complexity, since the approval of the previous Policy (by 97.85% at our 2024 AGM), given the successful launch phase so far.

Our increasingly complex roles demand a Board and senior executive team with exceptional global experience, notably the US. The proposed remuneration changes are crucial for maintaining competitiveness with top-tier companies, allowing us to attract and retain outstanding global talent while driving long-term value for stakeholders. While UCB offers a strong value proposition, competitive compensation is essential to attract a diverse, high-caliber team with proven impact and alignment with our strategic goals and commitment to patient value creation.

## Global Peer Group selection and constituents

As UCB continues its transformation, there is a notable shift in our talent needs, along with a greater emphasis on how UCB's business performance and compensation align with relevant global peers. Consequently, the GNCC conducted a thorough selection process to identify the companies that best represent UCB's most suitable peer group:

**OUR APPROACH**

With the support of WTW, we have defined a new Peer Group, following an assessment against the below revamped criteria :

- **Geographically aligned**: companies headquartered in our key geographies, both European companies with global reach AND US companies
- **Talent relevance**: companies with the highest Talent flows into and out of UCB
- **Industry relevance**: (Bio) Pharmaceuticals AND Biotech – matching UCB's scientific and commercial interests
- **Innovation-driven**: companies that prioritize R&D (evidence by R&D spending, innovation reputation and market cap to revenue ratios)
- **Size & complexity:** Varying sizes of company with a similar activities across entire value chain, both mature and fast-growing

**OUR NEW PEER GROUP**

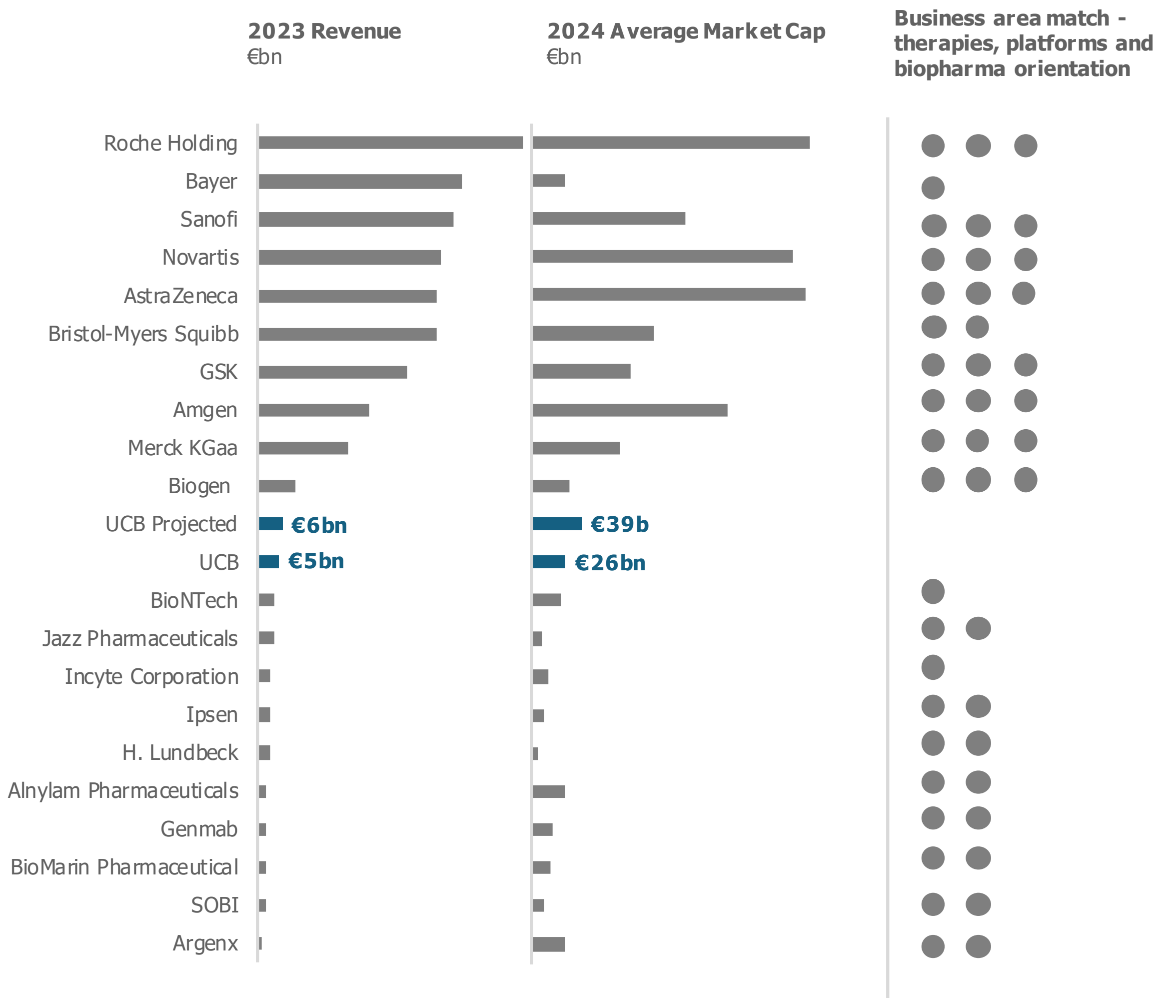
Outcome leads us to **one global biopharma peer group** (vs a purely European one today) that:

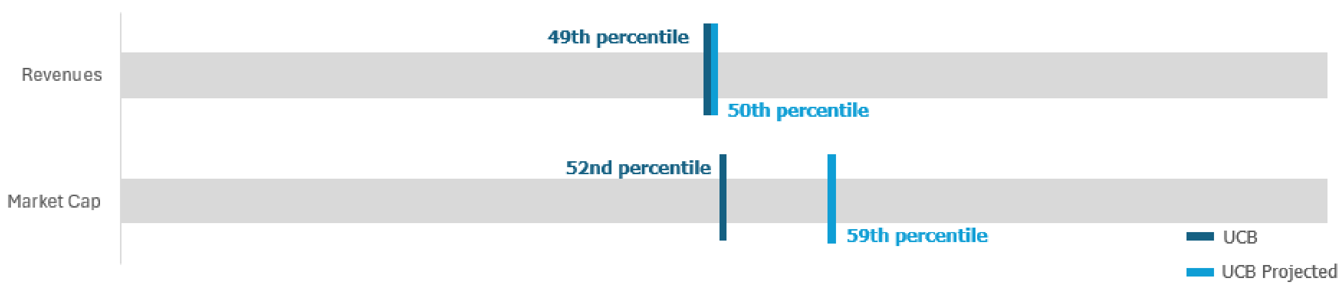
- Is overall more **relevant**
- will include around **40% of US** HQ'd peer companies: US being UCB's largest single market representing **>50% of our revenues**
- better mirrors UCB's unique profile, including **dynamic, fast-growing companies** as well as **mature biopharma**
- allows a clear benchmarking approach, as UCB's current and projected size is **close to median revenue and market capitalization** of this new group

**Both Executive and Board** remuneration will be informed by this new peer group.

Following a robust review of a long list of organizations that met the criteria, UCB identified a Global Peer Group comprised of its most relevant competitors, commercially as well as talent-wise.

## Global Peer Group constituents




*Market capitalization is averaged over the period 01-01-2024 until 31-12-2024, revenues are as per FY2023.*
*All figures are derived through Capital IQ*
*UCB projected figures relate to projected 2024 Revenues and Average January 2025 for Market Cap*

The criteria detailed in the illustrations above are not the only ones considered – indeed, a holistic assessment in terms of suitability was conducted for each of the peer companies based on the selected criteria (as also detailed in the Global Peer Group Selection above).

## Proposed changes to Remuneration of Non-Executive Directors (NEDs)

Given the competitive positioning principles set out above along with the context of the new Global Peer Group, upon recommendation of the GNCC, UCB is proposing to amend, with effect from 1 January 2025, the remuneration of Non-Executive Directors as follows:

| Proposed fees | | Committee fees | | | Other |
|---|---|---|---|---|---|
| | Annual retainer | Audit | Scientific[2] | GNCC | Travel Allowance [3] |
| Chair of the Board | € 425 000 | - | - | - | € 45 000 |
| Vice Chair | € 200 000 | - | - | - | € 45 000 |
| Directors | € 160 000 | - | - | - | € 45 000 |
| Chair of Committee [1] | - | € 45 000 | - | € 35 000 | € 45 000 |
| Member of Committee[1] | - | € 22 500 | € 45 000 | € 17 000 | € 45 000 |

1 Cumulative with annual retainer except for Chair, as included in annual board fees
2 There is no Chair of Scientific Committee role in place
3 The Annual Special Travel Allowance applies to all our Non-Executive Directors living in a location with at least 5 hours of time zone difference with Belgium and is paid as an annual fixed lump-sum allowance

The current fees are set out below for reference:

| Current fees | | | Committee fees | | | Other |
|---|---|---|---|---|---|---|
| | Annual retainer | Attendance fees (per meeting) | Audit | Scientific[2] | GNCC | Travel Allowance[2] |
| Chair of the Board | € 330 000 | - | - | - | - | € 45 000 |
| Vice Chair | € 120 000 | € 1 500 | - | - | - | € 45 000 |
| Directors | € 80 000 | € 1 000 | - | - | - | € 45 000 |
| Chair of Committee [1] | - | | € 45 000 | € 35 000 | € 35 000 | € 45 000 |
| Member of Committee[1] | - | | € 22 500 | € 22 500 | € 17 000 | € 45 000 |

1 Cumulative with annual board fees except for Chair, as included in annual board fees
2 The Annual Special Travel Allowance applies to all our Non-Executive Directors living in a location with at least 5 hours of time zone difference with Belgium and is paid as an annual fixed lump-sum allowance

The changes as well as the underlying rationale are summarized in the table below. The last full review of Board fees was in 2019 (adjustments following this were for the Chair and Committees in 2021 and 2022 respectively).

| Element | Proposed Change | Rationale for change |
|---|---|---|
| **Board Annual Retainer** | Increase in levels for Chair of the Board, Vice Chair and Directors | See context above - these increases will position UCB above the 25th percentile of the Global Peer Group. |
| **Board Attendance Fees** | Removal of attendance fees | The removal of Board Attendance fees allows for a simplified approach that reflects year-round responsibilities and contributions rather than attendance at meetings solely. This approach aligns with global and European market practices. |
| **Committee Annual Retainer** | Maintain levels of Committee fees, except for an increase for the Scientific Committee Member | The increase for the Scientific Committee Member is to align with the critical importance of this committee to UCB's strategic goals, as well as the substantial time commitment required, which is approximately 3-4 times greater than that of other committees. |

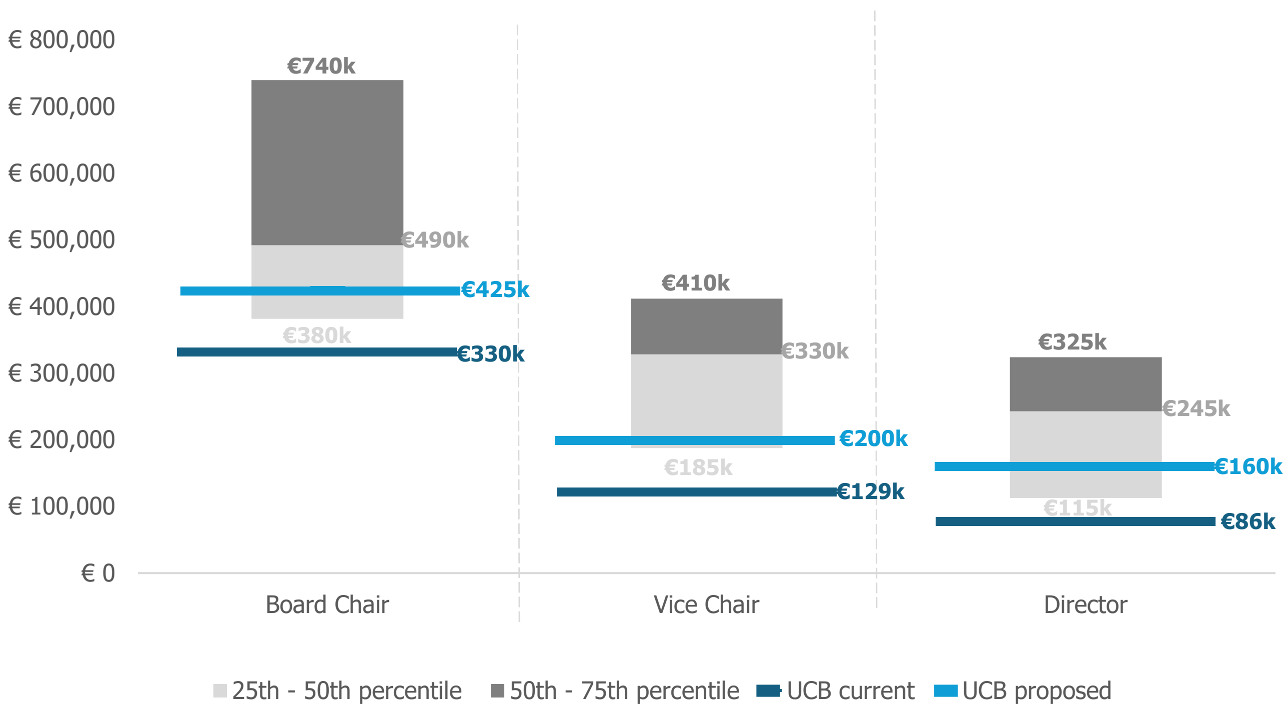
| | | |
|---|---|---|
| **Equity** | Introduction of a guideline for Non-Executive Directors to acquire UCB shares equivalent to 1/3rd of annual retainer fee (after tax) in each of the first 3 years after appointment. Once the holding level is reached, shares will be held until at least one year after the end of the mandate. | To align Non-Executive Directors with shareholder interests and in the spirit of the Belgian Corporate Governance Code. |

*Please refer to the Remuneration Policy 2025 for more details regarding the Non-Executive Directors remuneration policy and design. Actual yearly remuneration amounts received by the Non-Executive Directors are disclosed annually in the remuneration report.*

## Targeted Positioning against market

We look to attract diverse set of Board member profiles that represent our market footprint, so in terms of remuneration – we consider both Global Peer Group as well as BEL 20 benchmarks, with global biopharma data constituting the primary reference, given our need to attract experts with a deep, global knowledge of our industry. We target at least the 25$^{th}$ percentile of the Global Peer Group.

The graphs below detail the impact of the proposed policy changes on UCB's positioning against the global peer group, both for the Chair, Vice-Chair and Member of the Board:



## Proposed changes to Remuneration of Executive Committee

Given the competitive positioning principles set out above along with the context of the new Global Peer Group, upon recommendation of the GNCC, UCB is proposing the following main changes (incl. rationale) to its Remuneration Policy 2025:

| Element | Proposed Change | Rationale for change |
|---|---|---|
| **Fees** | Removal of Board fees for Executive Directors, which were historically paid on top of the remuneration received as an Executive. | To align with global market practice. |
| **Annual bonus** | Increase target annual bonus from 90% to 100% of base salary for CEO | To ensure appropriate competitive positioning of total remuneration versus the Global Peer Group. |
| | CEO and Executive Committee members:<br><br>Reduce Individual Objectives cap from 175% to 150% maximum opportunity.<br><br>The overall annual bonus opportunity remains capped at 175% of respective targets | To balance maximum opportunity between individual and corporate objectives – aligned with feedback received from our shareholders via consultation. |
| **Long-term incentives** | CEO: increase target LTI to 370% of base salary and remove multiplier feature (previously target LTI of 140% of base salary with an additional 150% potential multiplier)<br><br>Executive Committee members: increase target LTI to 90% - 300% of base salary (and remove multiplier feature) depending on role and profile<br><br>(previously target LTI of 80% of base salary with an additional 150% potential multiplier) | To ensure appropriate competitive positioning of total remuneration versus the Global Peer Group, UCB seeks to increase target LTI levels.<br><br>The increased LTI levels will ensure stronger alignment between executives and sustainable shareholder value creation. This is key for UCB's growth strategy over the coming years.<br><br>For Executive Committee members (excluding the CEO), LTI targets will be differentiated informed by market rates for the role. This will enable UCB to retain flexibility to set LTI levels according to the role and an individual's level of experience and sustained impact.<br><br>The multiplier feature has been removed from the construct to simplify the approach. |
| | CEO and Executive Committee members: increase the weighting of performance shares in the LTI mix, i.e. LTI allocation 80% in performance shares and 20% in stock options (compared to 70% / 30% currently) | This change aims to position UCB appropriately vs. typical LTI design practice in our global peer group and incorporate the perspectives of UCB's shareholders regarding the optimal balance between different plans.<br><br>Feedback gathered from shareholder consultations emphasized the importance of offering a substantial portion of the LTI opportunity through a plan that includes explicit performance conditions. Additionally, it addresses their views on the suitable balance between factors that drive long-term financial and operational success and incentives that promote significant growth in shareholder value. |

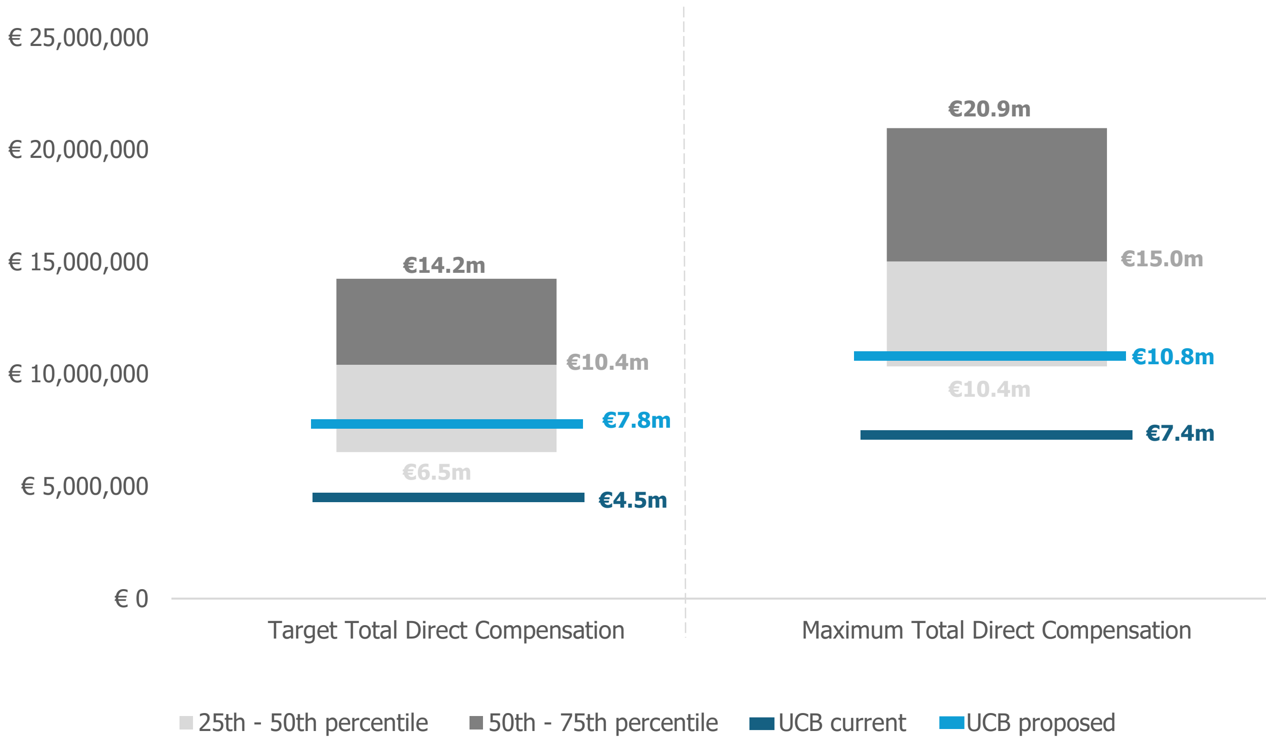
| | | |
|---|---|---|
| **Shareholding requirements** | Increase shareholding guidelines for CEO from 150% to 300% of gross base salary and for Executive Committee Members from 50% to 100% | Continue to align CEO and Executive Committee members with shareholder interests. |

*Please refer to the Remuneration Policy 2025 for more details on the policy and design.*

### Targeted Positioning against market

For the Executive Committee, UCB targets at least the 25th percentile of the Global Peer Group. To determine the appropriate positioning against the benchmark, the GNCC will evaluate the executive's proven impact in leading a global function, considering their track record, depth of experience and the extent to which the executive has the potential to perform similar roles at competitor companies. Additional factors considered include recognition both internally and externally for their leadership, strategic capabilities, future-readiness and any unique market differentiators.

The graphs below detail the impact of the proposed policy changes on UCB's positioning against the global peer group for the CEO (below is based on disclosed and comparable data as shared by WTW):



## Pay-for-performance

The Individual Performance Multiplier (IPM) is defined according to the extent to which annual objectives have been met, as well as the extent to which the individual has carried out their duties in line with UCB's Patient Value principles and expected behaviors. For the CEO individual objectives mainly represent the overall company objectives, covering both financial and extra-financial priorities, considering both the short-term impact and overall long-term company sustainability. The CEO's individual objectives are categorized according to the value UCB aims to create for each of its stakeholder groups.

The corporate element of the bonus (CPM) is currently defined by annual Adjusted Earnings Before Interest Tax Depreciation and Amortization ("Adj. EBITDA") as a shared short-term corporate performance metric, for the CEO and Executive Committee, as well as much of the wider workforce. This target is defined company-wide and is translated into a payout curve which ensures that only an acceptable range of performance is rewarded. The philosophy is that Adj. EBITDA, as a proxy for UCB's underlying profitability, ensures that the overall bonus plan is self-funding, rewarding collective efforts across the organization. For performance between the defined payout levels shown, linear interpolation is used to determine the payout.

The 2025 CPM payout curve has been adapated to our growing size but also our priority to focus on reaching our target, including an increase in 2025 of the performance threshold from 85% of target to 90% of target.

| Adjusted EBITDA vs Target | Payout % |
|---|---|
| 0% | 0% |
| 90% | 50% |
| 95% | 75% |
| 98% | 95% |
| **100%** | **100%** |
| 102% | 107.5% |
| 105% | 125% |
| 109% | 150% |

### Enhancing Transparency of Performance Share Plan Metrics and Payout Structures

In response to shareholder feedback and our commitment to transparency, we are improving the readability and clarity of the Performance Share Plan (PSP). This includes providing greater detail on the metrics used, their respective weightings (table below left), and the typical approach applied when setting payout curves (table below, right):

| Metric | Weight |
|---|---|
| **Financial** | **75%** |
| Revenue | 37.5% |
| Adj EBITDA ratio | 37.5% |
| **Extra-Financial** | **25%** |
| Time to Access | 10% |
| Scientific Innovation | 10% |
| Other Extra-Financial - DE&I | 5% |

| Performance level | Payout |
|---|---|
| Below threshold | 0% |
| Threshold | 50% |
| Below target | 75-80% |
| **Target** | **100%** |
| Above target | 120-125% |
| Maximum | 150% |

The financial criteria aim to drive a focus on growth and sustainability, so that we can continue to invest in innovative solutions for patients. The Time to Access KPI represents the importance we place on doing the right thing for patients, ensuring they have optimum access to affordable solutions and in a timely manner. Scientific Innovation is core to our ability to create value for patients in the future. Our DEI ambition measures, among other things, our aspiration to attract and retain a talented workforce that reflects the diversity of our talent pool and the society in which we operate. All employment decisions are made on the basis of merit in compliance with applicable laws and regulations.

Our methodology ensures that performance targets are rigorous, aligned with long-term value creation, and reflective of both internal ambitions and external market expectations.

The payout curves are structured to balance challenge and achievability, with threshold, target, and maximum levels clearly defined to ensure a strong pay-for-performance alignment.

**Commitment to Pay-for-Performance with Rigorous Targets**

Our pay-for-performance outcomes are grounded in stretched but achievable targets, as set by the Board upon recommendation of the GNCC. These ensure strong alignment with shareholder value creation. This commitment is evidenced by our historical payouts under both the Annual Bonus Plan and the Performance Share Plan (PSP), which reflect a direct correlation between pay outcomes and the Company's performance against these demanding targets, as detailed below.

The average payout of the CEO **bonus** over the last 5 years as compared to target is **134**% versus a **maximum of 175%**.

For the Performance Share Plan (PSP), the average vesting % over the last 5 years is **92%** versus a **maximum of 150%**.