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WuXi AppTec Tax Strategy in United Kingdom

Introduction

Taxes play a crucial role in our society, and at WuXi AppTec, we believe that every corporation has a responsibility to pay all the taxes they owe. As a company, WuXi is committed to adhering to Schedule 19 of the Finance Act 2016 and complying with the law in all the regions where we operate. We are dedicated to paying taxes on all our earnings worldwide, as part of our commitment to responsible corporate citizenship.

Over the past few years, significant changes to tax laws, such as OECD BEPS, EU tax directives, and US tax reform, have impacted the taxation of Chinese companies operating globally. WuXi AppTec's earnings, including those from sales made to customers outside China, are subject to China taxes. However, for over a decade, we have paid corporate income tax and other taxes on our global earnings.

Under the current international tax system and OECD transfer pricing principles, profits are taxed based on where the value creating those profits is generated. For WuXi AppTec, the activities that generate the vast majority of the value in our products occur in Asia. We employ over 43,000 people worldwide in 2023 and perform most of our research and development in the US and China. Therefore, the majority of our corporate taxes are paid to the US and China.

In the UK, WuXi AppTec employs 120 people who mainly focus on business development, advanced cell therapy solutions, advanced gene therapy solutions, and rebill to support our global business strategy, sales, and marketing in the European region. We pay taxes in the UK proportional to the value of these UK-based activities.

Scope of Policy

This tax policy applies to WuXi AppTec UK Limited and Oxford Genetics Limited, collectively referred to as "WuXi AppTec UK," and covers both direct and indirect taxes, including corporation tax, PAYE, VAT, and customs duties.

WuXi AppTec UK has internal governance procedures established at the executive level by WuXi AppTec Inc. and other senior personnel across the WuXi AppTec group. Through people, processes, controls, and systems, we manage tax risks and comply with tax laws. Our governance procedures require prompt notification to the appropriate senior personnel, including WuXi AppTec Inc. executives, and escalation of any identified tax risk, consistent with the Risk Management section below. Details of the Audit Committee oversight are provided in WuXi AppTec's Annual Proxy.

The board of directors and executive managers hold significant roles and responsibilities in managing the systems and controls in place to manage tax risk.

Approach to Risk Management

WuXi AppTec aims to identify and address tax risks related to all UK taxes. Our internal governance procedures require that any identified tax risks are promptly brought to the attention of the appropriate senior personnel, including WuXi AppTec Inc. executives. We may seek to manage complex or uncertain tax risks by obtaining expert advice or engaging directly with HMRC.

We ensure that our tax positions appropriately reflect the business activities we undertake in the UK.

WuXi AppTec does not condone any behavior that facilitates tax evasion, whether in the UK or any other jurisdiction. We are committed to ensuring that we have reasonable procedures in place at all times to prevent tax evasion by anyone acting on our behalf.

Joseph Beckman, serving as a Board Director, assumes the responsibility for overseeing the implementation and execution of the tax strategy. WuXi AppTec is committed to providing appropriate training to all relevant staff members who manage or process tax matters for our UK companies. This training will ensure that our employees have the necessary knowledge and skills to fulfil their tax-related responsibilities effectively.

WuXi AppTec has documented appropriately intercompany transactions to provide evidence that the trading procedures are commercially motivated and reflect the underlying economic substance of the business in each relevant territory including the UK.

Additionally, we have established a process whereby all returns, submissions, and tax implications of relevant transactions are reviewed internally before completion, even when external advice is obtained. This internal review ensures that our tax obligations are accurately addressed and align with our tax strategy.

Attitude Towards Planning and Level of Risk

WuXi AppTec has a strong commitment to compliance with UK tax laws and regulations. The company follows a rigorous approach to ensure that all transactions and changes to its business are conducted in compliance with applicable tax laws. This includes seeking expert advice when needed and engaging directly with HMRC to better understand the application of the law.

The company also takes a conservative approach to tax planning and does not implement aggressive or marketed tax avoidance strategies or artificial structures. Transactions are driven by economic substance and a valid business purpose, rather than tax mitigation motives. WuXi AppTec aims to ensure that its tax position in any planning activity is consistent with both the letter and spirit of the tax law.

The company's tax reporting accurately reflects the business activities it undertakes in the UK, and it does not enter into artificial or abusive arrangements to reduce its liability to UK taxes. All intercompany transactions between group entities are conducted on arm's length principles, in accordance with OECD guidelines.

It is worth noting that WuXi AppTec maintains a low level of tax risk both in terms of tax compliance and planning. The company places importance on minimizing any potential tax-related risks associated with its operations.

Tax appetite

At WuXi AppTec, as a leading industrial company, we prioritize responsible and transparent tax compliance and planning. We maintain a conservative appetite for tax and regulatory compliance risk, which is set by our senior management. Our commitment to this approach is driven by our reputation, as any failings could have a significant negative impact on our relationship with HMRC and other key stakeholders, including shareholders, employees, and clients. To minimize the risk and uncertainty in complex transactions, we seek appropriate external advice and engage directly with regulatory bodies, including HMRC, worldwide. Our adherence to all relevant UK tax legislation ensures that we effectively identify, assess, and mitigate UK tax risks.

Relationship with HMRC

We are committed to being compliant with all UK statutory obligations, filing requirements and/or tax disclosures with UK HMRC. We aim to maintain a strong professional relationship with HMRC and are transparent in our dealing with HMRC and proactive in discussing any issues of concern, as appropriate. Our relationship with HMRC is guided by our core values and high standards of business conduct. We work collaboratively wherever possible with HMRC to resolve disputes and obtain certainty in relation to UK tax risk, the UK tax treatment of proposed business transactions and the interpretation of UK tax law.

Others

This document, approved by the Board on June 1st, 2023, outlines our tax strategy and will undergo annual reviews in each financial year. Any amendments to the strategy will be subject to approval by the Board of Directors.

Financial Year to which the Tax Strategy relates.

The tax strategy detailed herein applies to the year 2023, should be related to the financial statement at the year ended 31 December 2023.