

Vectura Group UK Tax Strategy

Introduction

Vectura Group (“the Group”) is a specialist inhalation CDMO that provides innovative inhaled drug development solutions to help customers bring their medicines to patients. Our combination of formulation science, device technology and inhaled development expertise has contributed to the success of 13 inhaled medicines, launched by our partners and licensees. Since launch, these products have generated \$11 billion in sales and in 2020 these products were used by 10 million patients worldwide.

This tax strategy is published on behalf of all entities directly and indirectly owned by Vectura Group plc. in accordance with Schedule 19 of the Finance Act 2016 in respect to the financial year ending 31 December 2021. The Group was acquired by the Phillip Morris International Inc. in September 2021. This UK Tax Strategy does not cover any legal entities of Phillip Morris International Inc. not directly or indirectly owned by Vectura Group plc.

The Group’s ultimate parent undertaking and controlling party in the period was Vectura Group plc. listed on the London Stock Exchange until October 2021 from when the Group was delisted following the acquisition of Philip Morris International Inc., a company incorporated in the United States of America and headquartered in New York.

In the UK, the Group pays corporation tax, customs duties, stamp duties and employment taxes. The Group also collects and pays VAT.

Approach of the Group to risk management and governance arrangements in relation to UK taxation

Our Values are the essential principles that guide our decisions and actions of the business, fundamental to the Group’s Tax Strategy; Quality is at the heart of everything we do. We work with integrity, consistently delivering to high standards.

The Group is committed to conducting business in compliance with all applicable tax, legal and societal expectations. Ensuring transactions are based on sound tax strategies and that we act in good faith in all dealings with tax authorities and other stakeholders.

The Head of Tax and Treasury in the UK is responsible for all global tax affairs of the Group, who works closely with the business on a day-to-day basis and ultimately reports to the Chief Financial Officer, a member of the board who, has ultimate accountability for tax risk.

Close business relationships and working practices ensure potentially tax sensitive transactions receive assessment from the Head of Tax and Treasury and authorisation by Chief Financial Officer where this is outside of the normal course of business.

The Tax environment is evolving with increasing complexities and burden placed upon international Groups. To ensure adherence with these regulations the Group engages local external tax experts to advise the Group in respect to transactions and assist with the Group’s global compliance and reporting obligations.

The attitude of the Group towards tax planning (so far as affecting UK taxation)

The Group's values underpin the way in which we conduct business and require all employees to Do the Right Thing, Work with Integrity, and Consistently Delivering to High Standards. Further information on our values can be found here on [page 57](#).

The Group remains cognisant of government incentives and reliefs, in particular to R&D activities undertaken at our facilities in the UK and Patent Box in respect to Intellectual Property developed in these facilities when considering strategic decisions of the Group.

The Group is committed to adhering to all relevant laws, both within the UK and internationally and will not engage in schemes designed principally to reduce the appropriate taxes payable. The Group will utilise available government support and reliefs where available and aligned to our corporate strategy, but not unnecessarily.

The Group endeavours to conduct intragroup transactions on an arm's length basis in accordance with current OECD principles, and supports the move towards greater transparency.

The level of risk in relation to UK taxation that the Group is prepared to accept

The Group does not set tax risk benchmarks or a predetermined level of tax risk we are prepared to accept. We do not take speculative tax positions or implement schemes with the sole purpose of reducing the corporation tax expense of the Group.

A key mitigation of tax risk is through the proactive and regular engagement with global tax experts to advise on new and evolving legislation to ensure compliance and reporting obligations are met.

Specific commercial transactions may generate particular tax complexities, where these events arise external tax expertise and guidance is sought. The advice used to underpin the Group's approach to the proposed transaction and the tax compliance and reporting as a result. Our advisors are required to abide by our supplier code of conduct which aligns to the concepts within the Tax Strategy, [available here](#).

The approach of the Group towards its dealings with HMRC

Due to the Groups UK tax footprint and complexity, no specific Business Risk Review or Customer Compliance Manager has been assigned to the Group. Interactions with representatives of HMRC are undertaken in an open and constructive manner, typically these interactions have arisen from proactive engagement by the Group with HMRC or reoccurring cycles of compliance reviews across various taxes where the Group has endeavoured to provide the requested information according to agreed timelines.

The Group's values drive the business to create a Great Customer Experience. Our customer focus guides everything we do. We seek to treat relationships with Tax Authorities as we would treat relationships with Customers, all encounters should ensure a great experience.

We are committed to prompt disclosure and transparency in all tax matters with HMRC and aim to provide full, accurate and helpful answers to HMRC queries as and when they arise.

Further information

The Group's approach to tax is reviewed and regularly updated annually. This tax strategy was approved for publication by Vectura Group plc. on 14/12/2021.