

NOVARTIS UK TAX STRATEGY

Novartis is reimagining medicine to improve and extend people's lives. As a leading global medicines company, we use innovative science and digital technologies to create transformative treatments in areas of great medical need. In our quest to find new medicines, we consistently rank among the world's top companies investing in research and development. Novartis products reach nearly 1 billion people globally and we are finding innovative ways to expand access to our latest treatments.

Our Code of Conduct defines the important standards for doing business at Novartis and provides the foundation for our long-term success as a company. It applies, without exception, to all associates and third parties acting on behalf of Novartis Group companies.

This document, approved by the UK Executive Committee, sets out Novartis strategy and approach to tax, to the extent it relates to or affects UK taxation for the year ended 31 December 2018. This document is produced in accordance with the requirements under Schedule 19 of Finance Act 2016, and applies to all Novartis affiliated entities in the UK.

Tax risk management and governance

Novartis is committed to observing all applicable laws, rules and regulations in meeting the group's UK tax compliance and reporting responsibilities.

In fulfilling its UK tax obligations, Novartis aims to apply diligent professional care and judgement, including ensuring that all decisions are taken at an appropriate level and supported by thorough documentation of facts.

Novartis maintains a system to identify, assess and mitigate tax risks in a manner that considers the effect on the overall business.

Novartis employs tax professionals with suitable experience and qualifications, and the UK team is further supported by the Group Tax team in Switzerland. The tax team keeps up to date with tax law through appropriate training. External advice is sought from reputable law and accountancy firms on complex matters, and as a means of proactively monitoring the rapidly changing landscape of both UK and international taxation.

There are clear escalation routes for complex matters requiring significant judgements, including to both the country and global executive boards.

We follow the Novartis Financial Controls Framework as an integral part of our internal control processes. Tax-related controls are reviewed and assessed on a regular basis, with the relevant process tested and evidence documented. Tax controls are also updated, with new controls added to the framework where appropriate.

Attitude towards tax planning

Novartis pays its fair share of taxes in countries in which it operates, and considers this as part of its contribution to society.

We seek to build and protect shareholder value, by ensuring that the UK tax affairs are managed in a sustainable manner within the group's commercial objectives. Where entering into commercial transactions we claim tax incentives, reliefs and exemptions in line with UK tax legislation. We do not undertake tax planning unrelated to commercial transactions.

Intercompany transactions take place on arm's length terms in line with OECD transfer pricing guidelines.

We have a zero tolerance approach to tax evasion and the facilitation of tax evasion.

Attitude to tax risk

Novartis adopts a balanced approach between risk mitigation and safeguarding shareholder value.

We aim to prevent unnecessary disputes, and to minimise uncertainty in relation to our UK tax affairs. Where possible we proactively seek advance clearances from HMRC.

Dealing with HMRC

Novartis is committed to being open and transparent with HMRC on the group's tax affairs.

We submit tax returns in accordance with statutory time limits. We disclose all relevant facts on the submission of tax returns. Any inadvertent errors are fully disclosed and corrected at the earliest possible opportunity.

We engage with HMRC in early, real-time discussions about any significant transactions and business changes and any tax issues arising.

We seek to work positively, proactively and collaboratively to minimise disputes, and aim to achieve certainty wherever possible.