

Novartis - UK Tax Strategy

Novartis is one of the world's leading pharmaceutical companies. Our mission is to discover new ways to improve and extend people's lives. Our vision is to be a trusted leader in changing the practice of medicine. We strive to be a trusted global healthcare leader and cultivate a corporate culture of high ethical standards. We promote innovation, quality, collaboration, performance, courage and integrity, which we regard as essential values and behaviours in our interactions with patients, healthcare partners and society at large.

This document, approved by the Country 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 2017. 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. External advice is sought 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 tax incentives are introduced by the UK government to attract investment, jobs, and to support the economy, we will assess them and apply them where appropriate in the manner intended.

We do not undertake tax planning which we consider to be aggressive, and are committed to giving full consideration to commercial substance and legislative support.

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. In particular, where uncertainties arise, Novartis would proactively seek advance clearances from HMRC, as we have done in the past.

Dealing with HMRC

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

We strive to build good relationships with our Customer Relationship Manager at HMRC and their teams, by engaging in early, real-time discussions about any business changes and our tax affairs.

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