

Our approach to tax

March 2025

At Sandoz, we have a clear Purpose: pioneering access for patients. That Purpose is underpinned by a strong focus on sustainable operations, embedded in our ESG strategy, which creates the foundation for our wider social impact as a company.

Strong corporate governance is one of the four pillars of that strategy. Our system of governance, with clearly-defined internal policies and controls, is aimed at ensuring we comply with applicable laws and regulations and maintain high ethical standards¹.

Sandoz has a robust code of ethics and clear commitments to anti-bribery and anti-corruption practices, with an integrated enterprise risk management system across our value chain. We believe our strong business ethics provide a strong cultural foundation, enabling and encouraging our people to do what is right.

Ethical choices and doing what's right are the foundation of our operations: with regard to patients, partners, colleagues, investors, customers, governments, and society as a whole.

That commitment is at the heart of our approach to tax management, which is rooted in the realization that taxes are key to sustainable economic growth and social development in the countries where we operate and a crucial source of revenue for its governments.

Our tax strategy

The Sandoz tax strategy is directly connected to the business principles that guide our activities as an organization. Our standards are also in line with the global initiatives of the OECD, the United Nations, human rights and tax regulations.

In essence, our tax strategy can be summarized in the following key principles:

- Strong alignment with **Sandoz business strategy** and focus on **value creation for stakeholders**
- Always comply with the **letter and the spirit of tax laws of countries where we operate**, paying taxes where we do business, including timely compliance with our tax obligations
- **Non-acceptance of tax fraud or evasion**, including undue or irregular practices when dealing with tax authorities
- **Diligent care and judgement to ensure proper and informed tax decision-making** in line with the proper tax governance and risk management standards and under the ultimate responsibility of the Board of Directors
- **Open and constructive dialogue with our stakeholders** including tax authorities, based on mutual respect, transparency and trust
- Tax positions rely on **business and economic principles or common standard market practices**

The Sandoz tax strategy is approved by the Board of Directors. It refers to direct and indirect taxes and is applicable to all companies within the Sandoz Group.

¹ Our principles and rules on corporate governance are provided in our Articles of Incorporation, the Regulations of the Board, and the Charters of the Board committees.

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Strong alignment with Sandoz business strategy and focus on value creation for stakeholders

- We strive to comply with tax regulations and pay taxes in a responsible manner, following good tax practices while preserving our commitment to align the tax function with the Sandoz business strategy and the reasonable expectations of our stakeholders.
- At Sandoz we apply the “arm’s length” principle in all our intra-group transactions, in line with the OECD guidelines. We ensure consistency on the application of the transfer pricing policy within the Sandoz Group and try to reduce uncertainty by entering into Advance Pricing Agreements with the different Tax Authorities where we operate.
- At Sandoz we endorse the legitimate use of tax incentives to preserve and boost the competitiveness in the market, always under ensuring the strictest observance of the applicable regulations

Always comply with the letter and the spirit of tax laws of the countries where we operate, paying taxes where we do business, including timely compliance with our tax obligations

- We promote a culture of integrity and compliance acting as a responsible taxpayer. In addition, we consider the reputational consequences of each filing position.
- We are committed to observing all applicable laws, rules, and regulations in meeting the Group’s tax compliance and reporting responsibilities in all jurisdictions where Sandoz operates and to ensure compliance with all relevant legal disclosure requirements
- To ensure tax compliance, Sandoz:
 - ✓ has an adequate and sufficient organizational structure, where in-house people engaged in tax-related matters are subject to training and guidance (either imparted by the tax team or external providers)
 - ✓ where no inhouse resources are available, engages external assistance to meet the obligations and deadlines
 - ✓ has the relevant internal control processes in place as explained below
- At Sandoz we are committed to complying with latest international developments such as the Global Minimum Taxation initiative by the OECD and the EU Public Country-by-Country reporting requirements as they become due in the territories in which the Group operates

Non-acceptance of tax fraud or evasion, including undue or irregular practices when dealing with tax authorities

- Any employee or external party acting on behalf of Sandoz is always subject to Sandoz Code of Ethics
- Should any misconduct be identified, it shall be duly communicated through the official Speak-up policy channels

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Diligent care and judgement to ensure proper and supported tax decision-making in line with the proper tax governance and risk management standards and under the ultimate responsibility of the Board of Directors

Tax Governance

- Our approach to tax is subordinated to our Corporate Governance framework and to the Code of Ethics, that is fully applicable to any behaviour related to the management of the Group's tax affairs.
- Our tax strategy, tax governance and tax risks control framework is approved and periodically reviewed by the Chief Financial Officer (CFO) under the ultimate responsibility of the Board of Directors
- Under the CFO's responsibility, the organizational structure of the tax function is designed to provide qualified tax advice to the Sandoz operating business in the countries where it has presence. When required, external tax advisors might be hired under the regular procurement procedures.
- Within the finance team there are also global tax experts in cross-functional and cross-border areas like transfer pricing and indirect taxes, who provide technical assistance and ensure consistency across the organization on tax strategies, policies and processes
- As part of the responsibilities under the tax function, the tax reporting and accounting team is accountable for the tax-related disclosures in the financial information, including, among others, the effective tax rate, cash tax payments and uncertain tax risks positions
- This tax-related information, together with other tax strategy-related matters and updates on compliance with our tax principles, is periodically shared with the Audit, Risk and Compliance Committee
- Sandoz is committed to ensuring that all employees dealing with tax-related matters are fully qualified to perform their duties and that they undertake necessary training and educational sessions, particularly with regard to the rapidly changing regulatory framework

Tax risk control framework

- We acknowledge that as a multinational group operating worldwide, we are inherently exposed to tax risks that may require judgement calls to assess and determine the effect of uncertainty
- The main tax risk exposures for Sandoz can be categorized (non-exhaustively) as follows:
 - ✓ Operational: risk of applying tax regulations to business operations and decisions
 - ✓ Compliance: risk of not meeting the company's tax obligations in terms of returns and processes
 - ✓ Accounting: risk of incorrect financial reporting of our tax positions
 - ✓ Reputational: risk of failing to meet our expectations as a result of tax decisions
 - ✓ Human factor: risk of Sandoz employees not being sufficiently qualified
- Sandoz has processes and controls in place to mitigate and anticipate tax risks that could have significant impact on the Group financial statements
- Our tax controls are framed within the general risk management framework and internal audit controls of the Group. In addition, our external auditor provides assurance on our tax positions as part of the financial statement preparation process.

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- Whenever a potential tax risk exposure arises, we perform the relevant analysis including likelihood of occurrence and financial impact. The Group has a recurrent tax risk management procedure in place to monitor existing and potential uncertain tax positions and ensure that any financial impact is properly reflected in the financial statements and/or accounting records of the company.
- Sandoz seeks to minimize the risk of disputes with the tax authorities by being open and transparent about our tax affairs. Where appropriate, Sandoz liaises with tax authorities to disclose and resolve issues, risks and uncertain tax positions to minimize uncertainty.
- In addition, Sandoz tax controls include quarterly procedures for the supervision of the timely filing of tax returns, related documents and payments, quarterly meetings with the CFO to report the Group's tax positions and tax risks, and the annual review of tax controls to assess adequacy and reasonableness. Global Minimum Tax compliance consequences will also be affected by these controls.

Open and constructive dialogue with our stakeholders including tax authorities based on mutual respect, transparency and trust

- At Sandoz we foster an open and constructive dialogue with our stakeholders including tax authorities based on mutual respect, transparency and trust. This includes timely and accurate disclosure of any requested information, collaboration and readiness to resolve disputes at early stages or trying to minimize cases of tax litigation.
- For example, at Sandoz we promote, where appropriate, pre-alignment within a relationship of cooperative compliance (e.g. advance price agreements, tax rulings) before taking a filing position. Likewise, in certain jurisdictions we have active real-time audits seeking clearance for all significant transactions and potential uncertain tax treatments.
- We believe that interaction with other players through legitimate lobby activities to openly discuss and exchange knowledge on the application and impact of new or existing tax regulations framework - either international or at country level - is a healthy practice to level the playing field and remain competitive. At Sandoz, for example, we participate in SwissHoldings, an association that represents multinational Swiss entities.
- Sandoz strongly supports any tax initiative that strives to boost economic growth and provide legal certainty to cross-border or inbound transactions in a coordinated manner

Tax positions rely on business and economic principles or common standard market practices

- Consistent with our business principles and the importance of our reputation, Sandoz does not engage in tax planning schemes for the sole and unique purpose of avoiding taxes
- Tax positions are adopted based on commercial substance, trying to secure, where appropriate, our decisions by seeking certainty from the tax authorities and / or external advisors
- At Sandoz we monitor the development of tax haven blacklists issued by institutions such as the EU, the OECD or non-governmental organizations
- Sandoz presence in controversial jurisdictions is ultimately related to legitimate business reasons and follows normal practices of the sector
- In line with its commitment to tax transparency, Sandoz periodically undergoes a business and corporate structure review to ensure compliance with our tax policy.