

Merck Sharp & Dohme Tax Strategy

In compliance with section 161 and section 19(2) of schedule 19 Finance Act 2016, the company is publishing its tax strategy for the year ending 31 December 2017; for the entities listed in Schedule 1.

Overview

Merck Sharp & Dohme or MSD is a trade name of Merck & Co., Inc., with headquarters in Kenilworth, NJ, USA. With offices in 140 countries, we aim to make a real difference with an innovative range of services and pharmaceutical products which promote and support health and wellbeing.

Our Vision is: “To make a difference in the lives of people globally through our innovative medicines, vaccines, and animal health products. We are committed to being the premier, research-intensive biopharmaceutical company and are dedicated to providing leading innovations and solutions for today and the future.”

Our Mission is: “To discover, develop and provide innovative products and services that save and improve lives around the world.”

Our values are our core. They guide everything we do, and they serve as the foundation of trust. Our values & standards represent the very core of our character as a company and guide decisions and actions. These simple but enduring values have earned us the trust and respect of our colleagues, customers and communities.

In line with our corporate and social responsibilities, we recognise our role as a responsible taxpayer. The tax strategy detailed below is followed by the UK entities in relation to UK tax.

Our approach to risk management and governance in relation to UK taxation

Our parent company, Merck & Co., Inc., of Kenilworth, NJ, USA holds ultimate responsibility for the tax affairs of the total MSD group, whereby the Chief Financial Officer is ultimately responsible for Merck & Co., Inc.'s of Kenilworth, NJ, USA overall tax position, while the management of taxes is performed by the company's global corporate tax department which is led by the Senior Vice President of Tax.

The responsibility for more detailed oversight of UK taxation is delegated to the UK-based finance directors, one for our human health entities and one for our animal health entities. Both finance directors also sit on the UK Boards of the respective entities.

In the UK, the accounting managers and finance directors manage UK-based finance teams who are responsible for day-to-day management of tax matters. Part of the compliance processes and tax contributions are centralized and to a large extent outsourced to professional service providers. In addition, the UK team is supported in its duties by various external advisors who assist in meeting our compliance obligations in the UK, as well as providing tax advice.

The MSD group maintains a robust (internal) control framework for managing its accounting affairs based on Sarbanes Oxley. Management testing of controls is performed by the internal corporate audit group.

Level of risk in relation to UK taxation that we are prepared to accept

MSD sees compliance with tax legislation as key to managing our tax risk. We strive for full compliance and are continuously improving of our processes which are based on standardization,

simplification and automation. In addition, where uncertainty exists and when appropriate, external tax advice on relevant tax matters is obtained.

Our attitude towards tax planning

We comply with all tax rules and regulations on a worldwide basis and only engage in tax planning that is aligned with our commercial business activities and reputation. MSD adheres to the relevant guidance issued by the Organisation for Economic Co-operation and Development (OECD) for international tax matters and transfer pricing.

In addition, our entities utilise available tax incentives and opportunities, such as Research and Development tax reliefs, in the spirit in which they were intended.

Our approach towards our dealings with HMRC

Our entities in the UK promote transparency with tax authorities. In the UK, MSD has been in regular contact with HMRC. Our communication with HMRC is mainly focused around timely tax compliance but also on pro-actively disclosing transactions or uncertainties across various taxes.

Schedule 1

Continuum Professional Services Ltd
Cubist (UK) Ltd
Cubist Pharmaceuticals (UK) Limited
Dashtag
Intervet UK Ltd
Intervet UK Production Ltd
Iomet Pharma Limited
Merck Sharpe & Dohme Limited
Merck Sharpe & Dohme (Holdings) Ltd
MSD R&D Innovation Centre Limited
Organon Laboratories Ltd
Rosetta Biosoftware UK Ltd
Schering-Plough Clinical Trials SE
Schering-Plough Holdings Limited
Schering-Plough Limited
S-P Ril Ltd
S-P Veterinary Holdings Limited