

STADA Group UK

Group Tax Strategy and Policies

This paper sets out the tax strategy of STADA UK Holdings Limited and its UK subsidiary undertakings for the year ended 31 December 2017. In making this strategy available, the UK Group is fulfilling its responsibilities under schedule 19 Finance Act 2016. As the head company of the UK sub-group, this strategy will also apply to the following UK Group companies:

- STADA UK Holdings Ltd.
- Thornton & Ross Limited
- Zeroderma Limited
- LCM Limited
- Sundrops Limited
- Internis Pharmaceuticals Limited
- Genus Pharmaceuticals Holdings Ltd.
- Genus Pharmaceuticals Ltd.
- Britannia Pharmaceuticals Ltd.
- Brituswip Limited (50% Joint Venture)
- Crosspharma Ltd.
- Slam Trading Limited
- LAS Trading Limited
- Socialites E-Commerce Limited
- Socialites Retail Limited
- Fresh Vape Electronics Cigarettes Limited
- Lowry Solutions Limited
- BSMW Limited
- Natures Aid Limited

In this strategy, references to 'STADA', 'the Business', 'the Group' or 'the UK Group' are to all these entities.

This tax strategy applies to all UK taxes applicable to the UK Group. The strategy has been reviewed by the Board of STADA UK Holdings as the parent of the UK subgroup and will be reviewed annually.

Aim

STADA is committed to full compliance with all statutory obligations and full disclosure to the UK tax authorities. The Group manages its tax affairs in line with its core values, its strong focus on corporate responsibility, and its commercial reputation and brand.

Risk management and governance arrangements

Tax risk management is fundamental to STADA. Tax matters are proactively managed through an overall internal governance framework, together with business controls and processes.

The Senior Accounting Officer is responsible for the management of the Group's tax affairs, and is supported by the respective finance department. Tax compliance is monitored regularly as part of a regular internal reporting cycle.

The Group's internal structure is set up to ensure that The Board of Directors understand the importance of tax as a Group function, and how the risk associated with the delivery of a compliant tax strategy is managed. There is a regular dialogue between the Board and those individuals tasked with the operation of the tax function regarding the way the business manages its tax risk.

Risk issues identified as part of this continuous cycle are reported to the Corporate Risk Management at the headquarters of STADA Group according to the Group's risk procedures. Internal systems, processes and controls are reviewed regularly to ensure that they are robust and continue to be fit for purpose.

Tax returns of the UK Group companies are prepared by external advisers and after an internal review by the respective Senior Accounting Officer submitted by the adviser to HMRC.

Tax planning

Professional advice is sought from suitably qualified external advisers where the tax treatment of a specific item or transaction is uncertain, with the extent of such advice determined by the Group's assessment of the overall risk.

The Group makes decisions in relation to tax which are consistent with the Group's overall strategy of maximizing post-tax returns for its shareholders. The Group will not engage in aggressive tax planning, the sole purpose for which would be to obtain a UK tax advantage. However, the Group will consider undertaking a transaction in a way that gives rise to UK tax efficiencies providing that this is aligned to the Group's commercial objectives and complies with the relevant UK tax legislation. The Group will not engage in tax efficiencies if the arrangements impact upon the Group's reputation, corporate and social responsibilities, or future working relationship with HMRC.

Attitude towards risk

The level of risk that the Group accepts in relation to UK tax is consistent with its overall objective of achieving certainty in the Group's tax affairs. At all times, the Group seeks to comply fully with its regulatory and other obligations, and to act in a way which upholds its core values and reputation as a responsible corporate citizen.

The Board sees compliance with tax legislation as key to managing tax risk, and understands the importance of tax in the wider context of business decisions. Processes have been put in place to ensure tax is considered as part of the overall decision-making process.

The Board is conscious of the hugely negative publicity attracted by an aggressive and poorly managed approach to tax management, and sees strong internal processes and a good relationship with HMRC as key to managing this reputational risk.

Relationship with HM Revenue & Customs (HMRC)

The Group's approach is to maintain a transparent, constructive and professional relationship with HMRC. This is achieved by ensuring that HMRC is kept aware of significant transactions and changes in the Group, and engaging with HMRC at an early stage to consider any tax issues arising.

In relation to the Group's tax compliance, the tax computations and returns submitted to HMRC disclose all relevant facts and identifies any issues where it considers that the tax treatment is uncertain.

We recognize that there will be areas of differing legal interpretations between the Group and HMRC, and where this occurs, the Group will deliberately try to engage in proactive discussions with HMRC to resolve the matter as quickly as we can.