Company responses to Investigate Europe story on tax havens and low tax jurisdictions

Bayer

"Your inquiry is nothing new. As a multinational enterprise with a significant business footprint in almost 100 countries of the world, we as Bayer are very transparent about our operations. Our business footprint in conjunction with our tax strategy is a constant part of conversations with media and other stakeholders interested in the space of ESG.

We fully appreciate that jurisdictions need sufficient funding to provide favorable business conditions that are fundamental for all Bayer operations. We do not engage in artificial transactions without business substance.

As you know, the measures implemented under the OECD BEPS project secures that potential loopholes have been closed. In addition, the newly implemented Minimum Tax (Pillar 2) secures a minimum taxation level for companies headquartered in the EU which was considered an appropriate threshold by the OECD member states. Due to that, at least 15 percent of taxes apply in any case at any time. Moreover, as a German-based corporation we also have to follow strict German Controlled Foreign Company rules which leads to a taxation at the level of 30 percent for respective profits from all international operations – including potential low-tax jurisdictions.

However and like a mantra, the same locations are always and repeatedly mentioned just as if they are automatically suspicious:

Netherlands:
Bayer's products have been available in the Netherlands for decades. It is one of the world's most significant markets for vegetable seeds, which is an important area for Bayer. For that reason alone, Bayer has a substantial footprint there with entrepreneurial substance in the form of a sizable workforce, in addition to sales and service functions. What's more, the right of establishment and the free movement of capital are cornerstones of the European integration process that are backed by a broad political consensus. It's thus a little surprising to see the Netherlands on your list of potential 'tax havens', in particular also because the Dutch tax rate is close to 26% and therefore definitely not a 'tax haven'.

Delaware:
Bayer also maintains various companies in Delaware. That's because Delaware has particularly unbureaucratic corporate law that significantly facilitates the formation and administration of companies and their sites. Tax reasons do not play a role: companies formed under the laws of Delaware pay taxes at the federal level, and U.S. federal taxes – at 21 percent for corporations even without local taxes – are equivalent to the European average. In addition, companies pay state taxes depending on where they operate their businesses irrespective of whether they are formed under the laws of Delaware. It's therefore a common misconception that Delaware is a 'tax haven' – and constant repetition of that misconception doesn't make it any more accurate.

Switzerland:
Bayer has a strong business presence with more than 1.500 employees in Switzerland, combining several sites all across our three divisions as well as the global headquarters of our Consumer Health division. Switzerland, with its numerous excellent universities and other major global companies in pharmaceuticals and agriculture, is a hotspot for talented people from all over the world, particularly in the field of research and development, to whom Bayer also wants to offer attractive working conditions in their familiar environment. Exorbitantly high labor costs offset potential benefits from the local tax environment.

Caribbean 'tax havens':
A common misconception also needs to be cleared up regarding so-called 'tax havens', be it in the Caribbean or elsewhere. As opposed to what is repeatedly suggested, a presence in such domiciles without any business substance does not offer tax advantages for German-based companies. That's because German law heavily restricts the possibilities in these cases – and profits achieved would be additionally taxed pursuant to Germany's External Tax Relations Act.

In connection with acquisitions of U.S. enterprises, Bayer also repeatedly had to acquire companies in such domiciles as part of the respective transaction packages. They had originally performed holding functions for the foreign business of the acquired company, for example. After being acquired by Bayer, such companies have no further functions and are therefore dissolved. Sometimes, however, these processes drag on, for example due to local bureaucracy. Curacao is such an example.

As you also mentioned Puerto Rico: Bayer employs more than 250 people in the fields of sales, marketing, distribution and production."

AstraZeneca

"AstraZeneca operates policies and governance to ensure compliance with tax laws in the territories in which we operate and we are committed to transparent and constructive relationships with all relevant tax authorities."

Eli Lilly

"Lilly has global operations with sales in ~120 countries. We list our significant subsidiaries by jurisdiction in our annual 10-K filing with the SEC and are committed to complying with all applicable tax laws, rules, regulations, and related disclosure requirements of the jurisdictions in which we operate."

GSK

"For answers to your questions, I'd point you to our Annual Report and information on how we engage with HCPs, including disclosures."

Novartis

"Novartis is a Swiss headquartered company with a major footprint of office, laboratory and production facilities in Switzerland (approximately 20 group companies and 10,400 employees in the country). Switzerland has implemented the Organization for Economic Co-operation and Development (OECD) minimum tax rate."

Novo Nordisk

"As part of our sustainable approach to tax, we are committed to managing taxes in a responsible way. In recognition of this, we for instance do not use artificial structures or tax havens to reduce our tax payments. You can read more about our tax policy here."

Roche

"Roche has implemented a robust and compliant worldwide tax structure. This structure and transactions which are documented in the Group's business processes are based on economic substance and on the principle that taxes should be paid where economic value is generated. This approach is in line with the goals of the OECD/G20 Base Erosion and Profit Shifting project.

More information on our Approach to Tax can be found here.

Sanofi

"Sanofi is committed to maintaining patient focus as well as acting with integrity, respect, legitimate intent, transparency, and accountability when interacting with stakeholders.

To fulfill Sanofi's purpose, we must interact and partner with diverse stakeholders in the health ecosystem in numerous ways. These stakeholders include patients and patient organizations, caregivers, healthcare professionals, government officials, and scientific and technological organizations, among others.

These exchanges are the lifeblood of biopharmaceutical innovation and patient access to our products and services. To advance patient care, our interactions with each stakeholder must align with Sanofi's ethical principles. This includes sharing a patient and consumer focus and commitment to integrity, recognizing conflicts of interest, respecting mutual independence, embracing transparency, and holding ourselves accountable for the results of our interactions. Sanofi is also committed to productive public discourse and responsible political engagement with stakeholders on issues tied to our mission.

Sanofi's tax strategy is aligned with its business strategy which is based on its commercial and industrial investments as well as its people in order to create value, sustain competitiveness and manage tax and reputational risks. Sanofi's tax planning is driven by business considerations and supported by substantive business transactions. Sanofi is present in a limited number of countries that could be perceived as tax havens. However, this is justified by its commitment to meet its patients' and residents' needs for medicines and vaccines around the world, as well as by substantive business transactions. Sanofi's presence in such countries is therefore not operated to avoid tax. While we do not intend to comment extensively on your classification of the listed countries as tax havens, we would like to point out that our subsidiaries incorporated in Delaware are subject to US Federal corporate income tax at the rate of 21% on their income plus US State tax (rates varying by States) in all the US States where they operate.