



Acelity Global Tax Strategy

This document details Acelity L.P. Inc. and its subsidiaries (“Acelity”) tax strategy and approach to arranging its global tax affairs. It is intended to fulfill the requirements under UK law¹ for the financial year ending 31 December 2017 and to further support the transparency of Acelity’s approach to taxation.

Introduction

Acelity is a global market leader in advanced wound care that distributes products to approximately 90 countries through direct and indirect channels. Its business activities around the world incur a substantial amount and variety of taxes, including corporate income taxes, indirect taxes, such as Value Added Tax and sales and use taxes, customs duties, excise taxes, stamp duties, employment and many other business taxes

Acelity operates in a highly-regulated environment requiring a strong compliance ethos to be established throughout all its group operations. One of Acelity’s core corporate values is, as a result, integrity—Acelity and its employees are accountable for our actions and seek to do what is right. This core value underlies all of aspects of Acelity’s business, including dealing with tax matters.

1. Tax compliance and governance

The primary responsibility of Acelity in relation to taxation is to ensure compliance with all legal obligations in the jurisdictions in which it operates. To this end, Acelity has established policies and compliance processes to ensure the integrity of its tax filings, the making of timely and accurate tax payments in the countries in which it operates and the identification and mitigation of material tax risks, which includes the operation of a zero tolerance towards the criminal facilitation of tax evasion by persons associated with Acelity.

2. Effective tax risk management

Acelity manages tax risks in the context of substantive commercial transactions within a broader business risk management and compliance context that includes the internal risk management framework and Sarbanes Oxley controls.

Tax risk can arise from a variety of sources, including unclear laws and regulations, reasonable differences in interpretation and conflicting rules/laws/interpretations between two or more countries. Given the scale of Acelity’s business, international scope and volume of tax compliance obligations, risks inevitably arise in relation to the interpretation of increasingly complex tax law and the evolving commercial and regulatory environment for advanced wound care products.

Where there is significant uncertainty or complexity in relation to a risk, external advice may be sought, particularly in relation to Acelity’s international tax obligations. All tax positions taken are consistent with Acelity’s shared values that notably include integrity. Tax matters are reported to the CFO and audit committee on a quarterly basis.

¹ See Paragraph 16(2), Schedule 19 Finance (No.2) Bill 2016.



3. Responsible attitude to tax considerations and planning in arranging commercial affairs

Substantive commercial transactions (e.g. acquisitions and divestments, intragroup trade and expansion in global markets) determine Acelity's approach to tax planning and consequent tax liabilities.

Acelity manages tax risks and tax costs in a manner consistent with applicable legal requirements and with shareholders' and customers' best long-term interests, taking into account all operational, economic and reputational factors. In structuring its commercial activities, Acelity therefore will consider, among other factors, the tax laws of the countries within which it operates in balance with these other considerations.

Acelity's tax strategy and policies seek to make use of government sponsored tax incentives where appropriate and in line with substantive business activities (e.g. R&D tax credits). Acelity applies the OECD guidelines, UK, US and other national legislation to our intercompany transactions.

4. Open and transparent approach to dealing with tax authorities

Acelity values developing and maintaining professional, constructive and transparent relationships with tax authorities. It seeks to do so by ensuring there is access to relevant information demonstrating the integrity of our tax processes, returns and payments and by ensuring that the information reporting required under various tax laws around the world is available on a timely and complete basis.

Acelity will always seek to resolve any disputed matters through proactive and transparent discussion and negotiation with tax authorities, and would seek to enter advanced pricing agreements or tax rulings where appropriate to reduce tax risk.

Acelity may also engage with governments on proposed changes to tax legislation where appropriate, either directly or via representative bodies, and may file comments with respect to proposed tax regulations to ensure that concerns of the company, its shareholders and customers are understood.

This document is aligned with the Acelity shared values and is approved, owned and updated as appropriate by the Board of Directors of Acelity L.P. Inc.