Smith+Nephew

Smith + Nephew Tax Strategy
November 2024

Introduction

Smith + Nephew is a portfolio medical technology business, operating in more than 100 countries, that exists to restore people's bodies and their self-belief by using technology to take the limits off living. We call this purpose 'Life Unlimited'. We have around 19,000 employees across the world and annual sales in 2023 were $5.5 billion.

Our Code of Conduct and Business Principles ('Code') sets out the legal and ethical principles that we apply to our business and defines our relationships with all our stakeholders, including tax authorities. Our Culture Pillars of Care, Collaboration and Courage influence the way in which we interact with both internal and external stakeholders i.e. Collaboration, including with patients, customers, healthcare professionals, authorities and the public, is undertaken in an honest and fair manner in all aspects of our operations, while we seek to play an integral role in improving people's lives and producing more effective and efficient health outcomes.

Tax strategy

Our tax strategy is aligned with the overall Group strategy, and we seek to manage tax cost and risk in line with our Code and Culture Pillars, taking into account our external reputation and views of stakeholders. Our approach is to be compliant with the tax laws in the countries in which we operate, and our transfer pricing policy is designed to ensure that country profits (and associated tax thereon) align with economic value creation.

Risk management and governance

The Smith + Nephew risk management process is an integral part of our business. Individual risk owners within the business areas carry out day-to-day risk management activities within the framework established by our Executive Committee, Group General Counsel and the Chief Compliance Officer. This includes the identification and documentation of risks, undertaking risk assessments and risk mitigation. Tax risk management is part of this process.

The Smith + Nephew Board, responsible for approving Group strategy, has delegated responsibility for tax strategy to the Group CFO. The Group Audit Committee, consisting of independent non-executive members of the Board, review annually the Group tax strategy and management of tax risk and monitor performance via quarterly reporting.

The Group tax team at Smith + Nephew reports to the Group CFO and manages the day-to-day tax affairs of the Group, supported by Group and country-level finance teams, and external advisors as required.

Tax compliance

We are subject to various taxes in the many different countries in which we operate, and we aim to submit accurate tax returns to the relevant tax authorities on a timely basis. We seek to pay the right amount of tax in accordance with the tax laws in all the territories in which we operate. Members of our Group tax team are dedicated to this activity with support from external advisors. Our transfer pricing policy, also managed by our Group tax team, aims to ensure that transactions between Smith + Nephew affiliates take place on an arm's length basis, in accordance with OECD transfer pricing principles and local country tax legislation. We keep abreast of, and regularly review for, any changes in tax legislation, other requirements and generally accepted best practices, and adapt our compliance processes accordingly.

Tax planning

In conducting its business activities, Smith + Nephew often has a choice of how to structure the transactions involved. For a given transaction, for example an acquisition or disposal, the different tax implications of each option are one of the many factors that are taken into account when deciding on the structure to be used. Where there is tax uncertainty, for example due to interpretation of tax legislation or relevant case law, we seek appropriate external advice and consider the tax risk associated with the relevant tax authority taking a different view. Structures that do not reflect the economic or commercial reality of the transaction are not considered and we do not seek to avoid tax using tax havens or transactions we would not fully disclose to a tax authority. The Finance and Banking Committee and/or the Board review significant transactions before approval.

We also take advantage of available tax incentives and reliefs in the countries in which we operate, for example, Research and Development tax credits and UK Patent Box relief.

Level of risk that we are prepared to accept

We do not engage in high risk or aggressive tax planning. However, as a multinational corporation, we accept a certain level of tax risk due to uncertainties in tax legislation and the increasing complexity of the international tax environment, particularly regarding transactions between our affiliated companies. We seek to mitigate and manage this tax risk through our approach to tax compliance, tax planning and tax risk management.

Dealing with tax authorities

In line with our Code, we act in an honest and fair manner when dealing with tax authorities. Our approach is to have an open and transparent relationship and, in the event of a disagreement, we seek to resolve this through provision of information and constructive dialogue, using litigation as a last resort.

UK legislation

This document fulfills the UK legislative requirements of Finance Act 2016 Schedule 19, paragraph 16(2).