

# TSII's approach to tax

## Introduction

Tempur Sealy International, Inc. ("TSII") develops, manufactures, markets, and distributes bedding products, which we sell globally in approximately 100 countries. Our brand portfolio includes many highly recognized brands in the industry, including our Tempur products sold under the TEMPUR® and Tempur-Pedic® brands, and our Sealy products sold under the Sealy®, Sealy Posturepedic®, and Stearns & Foster® brands. The Sealy® brand also features Posturepedic Technology™ in the Sealy Performance™ and Sealy Premium™ collections. Our comprehensive suite of bedding products offers a variety of products to consumers across a broad range of channels.

We operate in two segments: North America and International. These segments are strategic business units that are managed separately based on geography. Our North America segment consists of Tempur and Sealy manufacturing and distribution subsidiaries, joint ventures and licensees located in the U.S. and Canada. Our International segment consists of Tempur and Sealy manufacturing and distribution subsidiaries, joint ventures and licensees located in Europe, Asia-Pacific and Latin America.

We sell our products through two distribution channels in each segment: Wholesale (third party retailers, including third party distribution, hospitality, and healthcare); and Direct (company-owned stores, e-commerce, and call centers).

Our principal executive office is located at 1000 Tempur Way, Lexington, Kentucky 40511. TSII was incorporated under the laws of the State of Delaware, USA, in September 2002. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to such reports are filed with or furnished to the United States Securities and Exchange Commission ("SEC") pursuant to Sections 13(a) or 15(d) of the Exchange Act.

## *Strategy*

Our long-term strategy is to drive earnings growth. Our goal is to improve the sleep of more people, every night, all around the world. In order to achieve our long-term strategy while managing the current economic and competitive environments, we focus on developing the most innovative bedding products, investing in our brands, expanding our North American margins, and optimizing our worldwide distribution. Through our strategy, we expect to generate earnings growth and strong cash flow that will be used to reduce debt to the extent appropriate and return value to our stockholders.

We strive to be a world-class operation, a responsible corporate citizen and a good employer. Our business activities generate a substantial amount and variety of taxes. We pay corporate

income taxes, stamp duties, employment and other taxes. In addition, we collect and pay employee taxes as well as indirect taxes, such as excise duties and value added taxes (VAT).

TSII is committed to complying with tax laws in all of the jurisdictions in which we operate in a responsible manner, and to having open and constructive relationships with all tax authorities. TSII's Code of Conduct sets out what is expected of employees of TSII, and our approach to tax issues aligns with those expectations.

Our commitment is underpinned by the following principles:

### 1. Tax planning

TSII conducts its business in the various countries in which we operate in a manner that is compliant with local income tax statutes. We do not engage in aggressive tax planning strategies and our tolerance for tax risk is low. From time to time, TSII, where appropriate, seeks advice of external tax professionals. We adhere to all relevant tax laws and we seek to minimize the risk of uncertainty with respect to tax matters. Transactions between TSII and any of its subsidiaries and affiliates are conducted on an arm's-length basis and in accordance with current OECD principles.

Tax incentives and/or exemptions are sometimes made available by tax authorities in order to support investment, employment and economic development. Where such incentives and/or exemptions exist, we may utilize such items in compliance with the applicable law and in the manner intended.

TSII establishes entities in jurisdictions in which we principally conduct our business. In certain instances, we also establish entities in jurisdictions to hold our overseas investments. In each case, we give consideration to our business needs and activities and seek to be in compliance with all applicable law and regulatory requirements.

### 2. Relationships with governments and tax authorities

It is TSII's objective to build and sustain relationships with tax authorities that are constructive and based on mutual respect. We seek to work collaboratively with tax authorities and, where applicable, obtain agreement with tax authorities with respect to the treatment of future transactions.

### 3. Transparency

TSII follows its policy to be transparent with and cooperate fully with tax authorities in the jurisdictions in which we operate, specifically upon notice of inspection of our applicable tax returns by such tax authorities. Further, all records required to provide a tax authority with

information to fully inspect applicable tax returns are complete and accurate to the best of TSII's knowledge, and are maintained in accordance with TSII policy and local jurisdictional requirements.

#### 4. Tax risk management and Governance

TSII follows its risk management protocols as part of its internal control processes in compliance with the internal controls adopted pursuant to the Sarbanes Oxley Act of 2002. We identify, assess and manage tax risks and account for such risks appropriately. We implement risk management measures including controls over income tax compliance processes and monitor the effectiveness of such controls.

The Vice President of Global Tax reports to TSII's Chief Financial Officer on a quarterly basis 1) the tax risks, if any, that have been identified; 2) whether potential exposure exists with respect to such tax risks; and 3) how those tax risks are being managed and monitored. Further, on a quarterly basis, the Vice President of Global Tax, in conjunction with local country controllers (in those countries TSII in which TSII has a subsidiary) reports to the Audit Committee all tax matters that result in potential exposure or are required to be disclosed in TSII's consolidated financial statements filed with the U.S. Securities and Exchange Commission. In this way, TSII's financial risk committee provides governance and oversight of tax risks.

The Vice President of Global Tax, together with other key personnel, is responsible for the implementation of TSII's risk and governance policies with respect to tax matters and is responsible to ensure that such risk and governance policies are being consistently applied in all jurisdictions in which TSII operates.

This published tax strategy satisfies Schedule 19 of the UK Finance Act 2016 for our financial year ended 31 December 2017.