

# Xylem

## United Kingdom Tax Statement

**Publication date: January 2024**

This strategy has been published for the financial year ended 31 December 2023 to meet the requirement in paragraph 19(2) Schedule 19 Finance Act 2016 for the UK sub-groups headed by Xylem Water Holdings Ltd, Tideland Signal Ltd and Xylem Analytics UK Ltd and is approved by the Vice President & Chief Tax Officer at Xylem Inc. On 2 October 2023, Xylem Water Holdings Ltd acquired the entire share capital of Sensus (UK Holdings) Ltd from a fellow group company. All UK group entities, at the end of the previous financial year, are subsidiaries of either Xylem Water Holdings Ltd, Tideland Signal Ltd, Xylem Analytics UK Ltd or Sensus (UK Holdings) Ltd and have the same year end of 31 December except for Lowara UK Ltd which is 30 June.

### **How Xylem manages tax risks**

At Xylem, we have created a business structure and have controls in place that promote corporate fairness, transparency and accountability. The values and behaviours which apply to all employees are set out in our Code of Conduct.

Xylem is committed to maintaining strong corporate governance practices. We understand that adherence to sound principles of transparency and accountability is critical to earning and maintaining the trust of our key stakeholders and to achieving our financial goals. Xylem is fortunate to be overseen by an independent, diverse and highly accomplished Board that brings experience, commitment and rigor to our business.

As a publicly traded US company, Xylem has a fully developed system of internal governance and controls to ensure compliance with generally accepted accounting principles and applicable legal rules and regulations. The global tax team is part of this system and has established processes and controls that identify and evaluate tax risks and ensure compliance in each relevant tax jurisdiction.

The Vice President & Chief Tax Officer owns and manages Xylem's approach to tax. There are clearly defined roles and responsibilities which aim to ensure consistent and effective standards of tax management throughout Xylem. The Vice President & Chief Tax Officer has functional responsibility for the management of all taxes across the globe. The governance of this responsibility is documented in our Internal Tax Policy.

Significant tax issues and risks are communicated to the Vice President & Chief Tax Officer and are approved pursuant to our Internal Tax Policy. We are accountable to our Board of Directors and its Audit Committee for the maintenance and execution of our policies and processes.

Our global tax team, via the Senior Director of Tax Planning & Strategy, in partnership with our local finance teams, who are closer to and therefore most familiar with the local businesses, have responsibility for the day to day management of all taxes.

We have a tax risk framework and we operate key controls designed to mitigate risks. Our Internal Auditors carry out independent assurance of these controls on a periodic basis, reporting directly to our Audit Committee.

Xylem's global tax team comprises of suitably qualified and experienced tax professionals. The Vice President & Chief Tax Officer is responsible for the ongoing training and development (via Continued Professional Development of relevant Taxation Institutes) of all tax professionals within Xylem.

### **Xylem's attitude to tax planning**

At Xylem, our corporate compass is our Code of Conduct. We are committed to conducting business according to the highest ethical standards, treating all constituencies with respect, creating fair workplaces, and ensuring that our co-workers help us strengthen and protect our reputation.

Our Code of Conduct sets the rules that outline the appropriate business conduct and expected behaviours of all our employees. As such, Xylem will periodically modify and revise the Code of Conduct to Company policy and industry standards.

Our Code of Conduct is a tool to unite us as one company under the same ethical principles. These principles guide us to make decisions that are consistent with our core values and demonstrate our commitment to sustainability and strengthen our reputation of trust and our sense of purpose.

As explained in our Code of Conduct, Xylem is a US based global enterprise that puts a strong emphasis on compliance with the laws of each of the countries in which business is conducted. Xylem strives to do the right thing always.

As emphasised by our Vision and Values statement, Xylem is devoted to using its technology, time and talent to advance the smart use of water and creating value for its shareholders. Xylem values respect, responsibility, integrity and creativity.

Xylem's global tax team is fully aligned to these values and committed to ethical and forthright compliance with UK tax law, and open communication with HMRC.

Xylem's tax planning is permitted by law and driven by substantive business realities. Xylem does not participate in artificial transactions and is committed to complying with all applicable tax laws. As necessary, we seek external tax opinions or advice in relation to complex and significant tax matters, or where there may be uncertainty around the interpretation of tax law, to ensure we remain compliant.

#### **Xylem's tax risk appetite**

Xylem pro-actively considers and addresses its tax positions to minimise tax risks and ensure compliance. Xylem's approach to UK tax is compliance driven, with a focus on creating long term value for its shareholders and minimising uncertainty.

Xylem's global tax team works in partnership with the relevant local Business Leaders to identify and evaluate the tax implications of all complex and significant business transactions and ensure compliance with local tax law.

Where tax incentives, reliefs, exemptions and deductions are made available by Tax Authorities Xylem will, where applicable, claim the benefit of these.

Xylem seeks to apply the "arm's length" standard to all intercompany transactions, to comply with applicable local tax laws and regulations and give due consideration to internationally accepted methodologies and standards for intercompany transactions.

#### **Working with HMRC**

Xylem works in a collaborative, transparent and direct manner with HMRC. Our dealings with HMRC are professional and respectful. When considering the approach to tax risk and dealing with HMRC, Xylem's approach is to:

- Seek to comply with all laws to which it is subject;
- Absolutely prohibit the facilitation of tax evasion in any of its business operations;
- Only enter into transactions which are commercially driven;
- Seek to develop strong professional working relationships with HMRC;
- Require that tax returns are accurate and are filed on time in accordance with deadlines, and that positions taken in tax returns are supported adequately; and
- Seek to pay tax liabilities on a timely basis in accordance with the deadlines for payment.