

# Let's Solve Water

2015 XYLEM SUSTAINABILITY REPORT



## TABLE OF CONTENTS

|   |       |
|---|-------|
| <b>CEO MESSAGE</b>                              | p. 1  |
| <b>A FOCUS ON MATERIALITY*</b>                  | p. 5  |
| <b>SUSTAINABILITY AT XYLEM</b>                  | p. 9  |
| <b>FEATURE STORIES</b>                          | p. 14 |
| WITH ENVIRONMENTALLY CONSCIOUS PRODUCTS         | p. 14 |
| IN SAFE AND EFFICIENT FACILITIES                | p. 18 |
| BY ENGAGING STAKEHOLDERS AND THOUGHT LEADERS    | p. 23 |
| TO CREATE AN ENDURING COMPANY                   | p. 27 |
| FOR A SUSTAINABLE FUTURE                        | p. 30 |
| <b>PROGRESS AGAINST G4 REPORTING GUIDELINES</b> | p. 34 |
| STRATEGY AND ANALYSIS                           | p. 35 |
| ORGANIZATIONAL PROFILE                          | p. 37 |
| IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES      | p. 41 |
| STAKEHOLDER ENGAGEMENT                          | p. 44 |
| REPORT PROFILE                                  | p. 45 |
| GOVERNANCE                                      | p. 46 |
| ETHICS AND INTEGRITY                            | p. 49 |
| ECONOMIC  | p. 50 |
| ENVIRONMENTAL                                   | p. 52 |
| LABOR PRACTICES AND DECENT WORK                 | p. 61 |
| HUMAN RIGHTS                                    | p. 62 |
| SOCIETY   | p. 63 |
| PRODUCT RESPONSIBILITY                          | p. 65 |



## The Xylem 2015 Sustainability Report includes:

Stories, videos, key metrics and links to additional information that highlight our 2015 sustainability improvements and achievements

A video and written message about sustainability from Xylem President and CEO Patrick Decker

An overview of our sustainability strategy, goals, organization and recognition

A discussion about how we determine material sustainability issues for our company and our stakeholders, and an accompanying materiality matrix

A GRI Progress Report, called "Progress Against G4 Reporting Guidelines," that adheres to the international standards for sustainability reporting

The GRI Progress Report provides a detailed look at how Xylem performed in 2015 against the reporting criteria set out by the Global Reporting Initiative (GRI). We have used the GRI standards for the past three years to provide readers with easy access to specific information and more transparency about our company and operations. This year, we transitioned from GRI's third generation (G3) guidelines to its fourth generation (G4) standards. G3 reporting guidelines asked companies to report on everything they monitor. G4 represents GRI's most up-to-date and comprehensive guidelines, and encourages companies to focus their report content on the material issues that matter most to their business and stakeholders. According to GRI, the G4 standards are designed to make reporting guidelines more user-friendly and focused for organizations and their readers. The G4 standards also improve the technical quality of the report and align closer with other reporting frameworks.



“Our company-wide sustainability strategy and ambitious long-term goals are focused on four key strategic pillars—our offerings, our operations, external engagement and our organizational culture.”



**Patrick K. Decker**  
Xylem President and Chief Executive Officer



[Video Link](#)



Patrick Decker on Sustainability at Xylem.

## At Xylem, our mission is simple: Let's Solve Water.

Those three words encompass a lot. There's an inherent linkage between water, climate and sustainability. As a global water technology provider, we address each of these - and the relationship between them – on a daily basis with a unique combination of applications expertise, innovative technology and a team of more than 12,500 employees who are committed to creating value for our many stakeholders. At Xylem, we are in a unique and exciting position; our mission to solve water impacts everyone on the planet and intersects with other urgent sustainability issues. Access to safe water is critical to economic growth and global health and we take our responsibility to manage this valuable resource seriously.

Our company-wide sustainability strategy and ambitious long-term goals are focused on four key strategic pillars—our offerings, our operations, external engagement and our organizational culture.

Our energy-efficient products and offerings span across the entire water cycle—from water intake to treatment to return—and address the unique challenges at each stage. We are investing more than ever before in R&D and innovation to develop sustainable technologies that can meet our customers' greatest needs. With California in the midst of a five-year drought, the state is looking for reliable and drought-proof water supplies. This year a major wastewater treatment plant in Los Angeles installed our Wedeco water reuse solution as part of a project that will provide 12 million gallons per day of highly purified, recycled water to reduce its dependency on imported water. With this innovative and sustainable technology, we will help ensure that the plant complies with California's stringent groundwater recharge regulations in the safest and most cost-effective way possible, while helping the city develop a drought-proof water management system.

While we are developing sustainable solutions for our customers and collaborating with external partners, we are also focusing inward to ensure that our own operations adhere to the same sustainable mindset. At our manufacturing plant in Emmaboda, Sweden, we have developed a heat recovery project to reduce the facility's external energy purchases and carbon footprint. Throughout the year, a system of boreholes creates a stored heat reservoir

that can be used to warm the site in the winter months. This year, enough excess heat was captured to warm the entire facility for approximately three years. Going forward, we expect that the recycled heat will satisfy more than 90 percent of Emmaboda's heat demand.

At the same time, we engage similarly with our committed external partners—colleagues in the water sector and across industries, academics and innovators, NGOs and local governments—to work with us to solve the unique water-related challenges of today and plan for those on the horizon.

## “Sustainability is engrained in our corporate culture.”

Our shared mission was never clearer than this past year during the 2015 United Nations Climate Change Conference in Paris. Representatives from more than 190 countries adopted a landmark accord that commits nearly every country on the planet to lowering greenhouse gas emissions and slowing down the damaging impact of climate change. It was a uniting milestone that sets out significant work to be done. Investments in greener technologies that emit less CO<sub>2</sub> into the atmosphere are a top priority for many, but the initial costs involved can cause nations and businesses to push this priority down the road.

This year, we conducted original research that demonstrated how wastewater utilities can cut carbon emissions by nearly half by adopting readily available energy-efficient wastewater technologies. Furthermore, our research showed that since a revamped wastewater sector would consume less energy, 95 percent of these emission reductions would either pay for themselves or result in savings that could be channeled into additional sustainable upgrades.

Also this year, we joined 140 other business leaders to sign a climate pledge demonstrating our ongoing commitment to climate action; we are members of the Bipartisan Policy Center's Executive Council on Infrastructure, which is focused on finding ways to encourage private investment in U.S. infrastructure to bridge the gap created by a lack of government funding; and we have committed to the 10 principles of the UN Global Compact which calls on companies to align their strategies and operations with universal principles on human rights, labor, environment and anti-corruption, and to take actions that advance societal goals.

Sustainability is engrained in our corporate culture. Through Xylem Watermark, our corporate citizenship and social investment program, employees around the world help provide clean water to communities in need. We received the 2015 Corporate Citizenship Award from the U.S. Chamber of Commerce Foundation for the Best Health and Wellness Program. The award, which honors businesses for their significant impacts in communities around the world, recognized our work to provide sustainable access to water, sanitation and hygiene solutions to many of the world's most vulnerable communities.

Many more examples are included in this 2015 Sustainability Report. We are proud of the progress we have made on our journey, and will continue to advance sustainability in the water sector and beyond.

What we do matters, and the way we do it—with a sustainable mindset—is just as crucial. We are determined to make a difference, to solve urgent water challenges, and continue to build Xylem as a sustainable business that defines success not just by our work in the water industry, but by our ongoing impact on the world.



Patrick K. Decker  
President and Chief Executive Officer  
Xylem Inc.

## Feature Stories



With water productivity solutions that help to move and use the world's finite water supplies more efficiently and cost-effectively.

Xylem played an important role in the Panama Canal Expansion initiative. In 2015, we provided heavy duty Godwin dewatering pumps to fill the third set of basin locks on the Pacific Ocean sector. The project doubles the capacity of the Canal, creates a new traffic lane and includes two new lock complexes, allowing for the passage of new, larger ships. The third set of basin locks includes water reuse basins that will save water and improve the Canal's efficiency, using 7 percent less water compared with the amount currently used by the existing locks. In addition, in each transit operation, 60 percent of the water will be recycled.



With water quality technologies that collect and treat wastewater so it can be safely released back into the environment or reused.

In 2015, Xylem was selected to deliver a unique and sustainable water reuse solution to help increase the supply of purified, recycled water in Los Angeles. Once complete, this project will provide 12 million gallons of highly purified water per day, which will help reduce the city's dependence on imported potable water supplies. In addition, our Wedeco Duron disinfection system was approved by the California State Water Resources Control Board as the first UV disinfection system with an inclined lamp array available in the state for water reuse—offering a new option for expanding water reuse in California. This is another example of Xylem innovation enabling more sustainable water management practices.

## Feature Stories (cont.)



With water resilience solutions that help customers prepare for, respond to and recover from water emergencies like floods, natural disasters and droughts.

In 2015, Xylem quickly mobilized hundreds of dewatering pumps to help businesses, hospitals and the Army Corps of Engineers to minimize damage and recover from a “thousand-year storm” – Hurricane Joaquin – that hit the Carolinas in the southeastern U.S. In one case, when it became clear that a critical canal would be closed off for dam repairs, we deployed additional pumps and pipeline from New York to Columbia, South Carolina in just 24 hours to pull water directly from the Congaree River and keep the city’s drinking water reservoir filled.

In creating this report, our goal is to address sustainability issues that have the most significant and material impact on our company's business performance and are important to our stakeholders – in particular, our customers, employees, shareholders, local communities and the broader society in which we operate.

While there are many important issues outlined by the Global Reporting Initiative (GRI), we believe that providing greater insight and transparency about the issues that are most relevant to Xylem's business and the impact we have on the world – through relevant stories, leadership messages and videos – will enhance our stakeholders' understanding of our business, our commitments and our progress.

In order to identify those significant issues, we collected and assessed data and other input from a variety of internal and external sources. Our internal stakeholders included key senior business and functional leaders, the Xylem Sustainability Steering Committee and our Environment, Health, Safety & Sustainability (EHS&S) team. We also relied on input from a cross-section of external stakeholders, including the investment community, NGOs, customers and partners, and community leaders. We then evaluated GRI's G4 indicators through three different lenses – the collective stakeholder feedback, Xylem's strategic priorities and our enterprise risk management factors – to determine both their relative impact on our business and importance to stakeholders.

# A Focus on Materiality\*

This robust analysis produced 17 material issues that we have organized into five categories: Strategic Business Model, External Engagement, Environmental Stewardship, Our People, and Governance. Each material issue that we mapped onto our Materiality Matrix encompasses multiple G4 indicators, that we have listed in the chart here. The 17 material issues are:

## **Strategic Business Model**

- Economic Value Creation
- Innovation
- Sustainable Products & Services
- Community Impact

## **External Engagement**

- Water Thought Leadership
- Global & Local Citizenship

## **Environmental Stewardship**

- Product Materials
- Energy Efficiency of Our Facilities
- Climate Change Mitigation
- Water Stewardship
- Biodiversity
- Packaging & Waste

## **Our People**

- EHS&S at Xylem
- Talent Development
- Global Workforce

## **Governance**

- Integrity & Transparency
- Responsible Supply Chain

We will continue to collect input from internal and external stakeholders about these issues, their potential impact on Xylem's business now and in the future and their relative importance to our business and stakeholders. If necessary, we will adjust our materiality matrix to reflect any substantive changes.

\*Materiality covers aspects that reflect Xylem's significant economic, environmental and social impacts as defined by the Global Reporting Initiative (GRI). It does not address requirements set forth by the International Integrated Reporting Council (IIRC) or the Sustainability Accounting Standards Board (SASB).

# A Focus on Materiality\*

## 2016 XYLEM MATERIALITY MATRIX



### Impact to business:

Xylem analysis across (1) Strategic Priorities and (2) Enterprise Risk Management (ERM) Priorities.

### Importance to stakeholders:

Xylem analysis across five key stakeholder groups, (1) Customers and end users, (2) Employees (3) Shareholders, (4) Suppliers, and (5) Local Communities.

| Strategic Business Model                         |  |
|--|--|
| 1.<br><b>Economic Value Creation</b>             | <ul style="list-style-type: none"> <li>Xylem's financial results</li> <li>Strategic growth priorities, including Emerging Market growth</li> </ul>   |
| 2.<br><b>Innovation</b>                          | <ul style="list-style-type: none"> <li>Innovation in products, services and business models</li> <li>R&amp;D expenditures</li> <li>R&amp;D partnerships/collaboration</li> <li>Essence of Life</li> </ul>  |
| 3.<br><b>Sustainable Products &amp; Services</b> | <ul style="list-style-type: none"> <li>Environmental impact of Xylem's products and services</li> <li>Helping customers to improve the sustainability of their operations</li> <li>Safety impact of Xylem's products and services</li> <li>Truth in labeling</li> <li>Overall customer satisfaction</li> </ul> |
| 4.<br><b>Community Impact</b>                    | <ul style="list-style-type: none"> <li>Impact of Xylem's activities on local economy (employment, wages, infrastructure, local suppliers)</li> </ul>   |

# A Focus on Materiality\*

| External Engagement                         |  |
|---|--|
| 5.<br><b>Water Thought Leadership</b>       | <ul style="list-style-type: none"> <li>Water industry leadership</li> <li>Forge partnerships to accelerate research and innovation</li> <li>Advance public dialogue on water issues</li> </ul> |
| 6.<br><b>Global &amp; Local Citizenship</b> | <ul style="list-style-type: none"> <li>Engagement via Xylem Watermark</li> <li>Other local citizenship initiatives</li> </ul>  |

| Environmental Stewardship                        |  |
|--|--|
| 7.<br><b>Product Materials</b>                   | <ul style="list-style-type: none"> <li>Materials and components for products, including recycled materials</li> </ul>  |
| 8.<br><b>Energy Efficiency of Our Facilities</b> | <ul style="list-style-type: none"> <li>Energy consumption</li> <li>Energy efficiency initiatives</li> </ul>  |
| 9.<br><b>Climate Change Mitigation</b>           | <ul style="list-style-type: none"> <li>Total greenhouse gas emissions from Xylem operations, including transportation</li> <li>Advocacy for science-based mitigation measures</li> </ul> |
| 10.<br><b>Water Stewardship</b>                  | <ul style="list-style-type: none"> <li>Xylem's own water consumption and management</li> </ul>   |
| 11.<br><b>Biodiversity</b>                       | <ul style="list-style-type: none"> <li>Impact of Xylem's activities on local biodiversity and ecosystems</li> </ul>  |
| 12.<br><b>Packaging &amp; Waste</b>              | <ul style="list-style-type: none"> <li>Recycling and reuse of packaging and transportation materials</li> <li>Total waste generated by Xylem activities</li> </ul>                       |

| Our People                       |  |
|----------------------------------|--|
| 13.<br><b>EHS&amp;S at Xylem</b> | <ul style="list-style-type: none"> <li>Occupational health and safety practices at Xylem facilities</li> </ul>             |
| 14.<br><b>Talent Development</b> | <ul style="list-style-type: none"> <li>Training and education for Xylem employees</li> </ul>                               |
| 15.<br><b>Global Workforce</b>   | <ul style="list-style-type: none"> <li>Foster workforce diversity, inclusive policies and equality across Xylem</li> </ul> |

| Governance                                 |  |
|--|--|
| 16.<br><b>Integrity &amp; Transparency</b> | <ul style="list-style-type: none"> <li>Commitment to human rights</li> <li>Anti-corruption policies</li> <li>Anti-trust policies</li> <li>Compliance with all applicable laws, regulations and ordinances</li> </ul> |
| 17.<br><b>Responsible Supply Chain</b>     | <ul style="list-style-type: none"> <li>Select and assess sustainable practices of top tier suppliers</li> </ul>  |



Our sustainability strategy ties directly to Xylem’s business strategy, enabling sustainability to be effectively and seamlessly integrated into all we do. In March 2015, we finalized a set of ambitious five-year sustainability goals that are aligned with the four key areas of our sustainability strategy: our offerings, our operations, external engagement, and organization and culture.

The goals continue to be incorporated into our business operating planning process, and progress is evaluated through various measures including our goal deployment process. In the spirit of continuous improvement, we are reviewing the best ways to track our progress against some of the harder-to-measure metrics. The chart below illustrates our progress as of the end of 2015.

# Sustainability at Xylem

The chart below illustrates our progress as of the end of 2015.

| Sustainability Strategy Element | Goals  | Tracking Mechanism   | Metrics as of 12/31/15  |
|---------------------------------|--|--|---|
| Our Offerings                   | <ul style="list-style-type: none"> <li>Improve product energy efficiency of specific Xylem product lines</li> <li>Increase vitality index to 25 percent by 2020 to drive product innovation and efficiency</li> </ul>  | <p>Percentage gain in energy efficiency of products made, sold and/or introduced, and energy saved by new product introductions for specified Xylem Growth Centers</p> <p>Percentage of sales from new products launched in the past five years</p>  | <ul style="list-style-type: none"> <li>Transport Growth Center: Average product efficiency of submersible wastewater pumps have increased by 0.3% - from 61.3% in 2014 to 61.6% in 2015.</li> <li>Applied Water Systems Growth Center: Nine new pump product lines replaced legacy product lines, increasing the product efficiencies between 1.6% and 12%.</li> </ul> <p>18.3% of sales are from products launched in the past five years.</p> |
| Our Operations                  | <ul style="list-style-type: none"> <li>Reduce Xylem water use by 25% by 2019*</li> <li>Reduce greenhouse gas (GHG) emissions intensity by 20% by 2019*</li> <li>Reduce waste sent to landfill by 20% by 2019*</li> <li>Reduce injury frequency rate to less than 0.5 and injury severity rate to less than 6.0 by 2019*</li> <li>Achieve 100% environmental compliance at all manufacturing and service sites</li> </ul> <p>* from 2014 baseline</p> | <p>Cubic meters (M3) of total water withdrawals at Xylem-operated sites per dollar of revenue</p> <p>Carbon dioxide equivalent (CO<sub>2</sub>e) from Scope 1 &amp; 2 emissions per dollar of revenue</p> <p>Percentage of total waste sent to landfill per dollar of revenue</p> <p>Injury frequency and severity rates</p> <p>Number of regulatory compliance notices of violations (NOVs)</p> | <p>0.4% reduction in water usage intensity</p> <p>3.1% reduction in GHG intensity, net of renewable energy</p> <p>46.0% reduction</p> <ul style="list-style-type: none"> <li>Injury Frequency: 1.2</li> <li>Injury Severity: 18.7</li> </ul> <p>3 environmental notices of violation</p>  |

| Sustainability Strategy Element        | Goals  | Tracking Mechanism   | Metrics as of 12/31/15   |
|--|--|--|--|
| <p><b>External Engagement</b></p>      | <ul style="list-style-type: none"> <li>• Increase impact of Xylem Watermark, our corporate citizenship program through investments to nonprofit partners</li> <li>• Increase employee involvement in Xylem Watermark by 15% year over year</li> <li>• Position Xylem as a leading advocate for sustainable water policy worldwide</li> </ul> | <p>Number of projects in new growth markets; increase in employee contributions</p> <p>Leadership, management and employee participation in Xylem Watermark engagement activities</p> <p>Number of visible leadership roles in industry organizations and speaking engagements at industry thought leader events</p> | <ul style="list-style-type: none"> <li>• New projects: 14% increase</li> <li>• Employee contributions: 33% decrease</li> </ul> <p>Total employee volunteer hours: 330% increase*</p> <p>New in 2015:</p> <p>Xylem CEO appointed to <a href="#">Bipartisan Policy Center's</a> Executive Council on Infrastructure</p> <p>Executive participation at <a href="#">American Water Summit</a>, <a href="#">Global Water Summit</a>, <a href="#">International Water Summit</a>, <a href="#">WEFTEC</a>, <a href="#">ONE Water Summit</a></p> <p>Published <a href="#">Powering the Wastewater Renaissance Report</a></p> <p>Published <a href="#">Climate Change Policy Statement</a></p> <p>Signed <a href="#">American Business Act on Climate Pledge</a></p> <p><i>*All hours are tracked with MyWatermark, our employee engagement interactive website</i></p> |
| <p><b>Organization and Culture</b></p> | <ul style="list-style-type: none"> <li>• Improve employee engagement on sustainability</li> </ul>  | <p>Number of sustainability communications to employees</p> <p>Employee perception ratings</p> <p>Percentage of sites with Green Teams implementing Xylem Eco-Efficiency Easy Tool</p>   | <p>Finalizing metrics to measure progress</p> <p>Finalizing metrics to measure progress</p> <p>95% of Xylem sites have established Green Teams. Our major sites are currently using the Eco-Efficiency Tool, and Xylem plans to implement its use at sites with 50 or more employees in 2016.</p>  |

## OUR SUSTAINABILITY ORGANIZATION

### At Xylem, all employees are helping to advance our sustainability practices and impact.

Our **board of directors** has primary responsibility for overall risk oversight for the company, which includes areas that impact Xylem's sustainability efforts. The board has delegated responsibility for direct oversight of the company's sustainability program to the board's Nominating and Governance Committee. The Nominating and Governance Committee regularly receives updates on sustainability from management and provides updates to the full board.

Our **senior leadership team members**, under the direction of our President and CEO Patrick Decker, lead growth centers, commercial teams and functional areas with the intent of building an enduring and successful company. Increasingly, they are better integrating sustainability into their strategies to accelerate innovation, sell our products and services, and grow our business. Ultimately, our growth strategies are designed to position Xylem as a leader in the global water technology space.

The **Xylem Sustainability Steering Committee** comprises representatives from multiple geographies, businesses and functions within Xylem who meet monthly to guide and drive our sustainability efforts and monitor progress against our sustainability goals.

Our **Environment, Health, Safety & Sustainability (EHS&S)** team includes more than 250 full- and part-time employees working at the site level to enact sustainability practices and provide employee training – primarily in the areas of environmental protection and workplace safety.

Our **leaders, frontline managers and employees** are accountable for safe, ethical, environmentally responsible and forward-looking actions that support our sustainability goals. To support them in this mission, Xylem provides training in the areas of safety, Code of Conduct, continuous improvement – which includes Lean and Six Sigma curriculum – and career and leadership development.

## 2015 SUSTAINABILITY RECOGNITION

### External recognition provides useful progress markers on our sustainability journey.

In 2015, Xylem's commitment to sustainability and our progress to date was recognized in a number of areas.

In April, Xylem was featured in the [Business Roundtable 2015 Sustainability Report](#) as one of 150 companies committed to addressing environmental and energy challenges while driving increased economic growth and job creation.

Xylem was selected to participate in the U.S. Presidential Trade Mission to the People's Republic of China. From April 12-17, representatives from Xylem and 24 other companies participated in this [Smart Cities – Smart Growth Business Development Mission](#), which included visits with government leaders and potential customers in Beijing, Shanghai and Guangzhou to explore opportunities for introducing or expanding the use of sustainable products and services in China.

In May, Xylem's Saajhi Stepping Pump was selected as an [Edison Awards silver winner](#). The awards recognize excellence in new product and service development, marketing, human-centered design and innovation. The Saajhi pump uses human weight and motion to move water and was designed to help smallholder farmers in rural areas irrigate their land more efficiently. This innovative yet simple technology earned honors in the Agricultural Enhancements category.

Team Xylem was named one of five finalists in the 18-month-long [Wendy Schmidt Ocean Health XPRIZE competition](#). This global competition challenged competing companies to create affordable pH sensor technology to accurately measure ocean acidification. Based on extensive and rigorous lab and field trials, Team Xylem's pH sensor was included in the final five solutions that were tested and judged during a week-long ocean challenge in Hawaii.

In July, five Xylem employees were recognized by the [Hydraulic Institute](#), a leading association of pump manufacturers, for helping to develop industry pumping standards, including standards to meet increasingly stringent U.S. Department of Energy pump efficiency regulations.

In September, Xylem earned a place on the [Dow Jones Sustainability Index, North America](#) for the fourth consecutive year. The Index tracks the performance of large Canadian and United States companies that "lead the field" in terms of sustainability. Xylem was also included again in the [FTSE4Good Index Series](#), which recognizes companies that have met stringent environmental, social and governance practices.

Xylem Watermark, our corporate citizenship and social investment program, earned the [2015 Corporate Citizenship Award](#) from the U.S. Chamber of Commerce Foundation for the Best Health and Wellness Program. The award, which honors businesses for their significant impacts in communities around the world, recognized our work to provide sustainable access to water, sanitation and hygiene solutions to many of the world's most vulnerable communities.

In November, Xylem was listed in the [NASDAQ OMX CRD Global Sustainability Index](#). The Index includes companies that are taking a leadership role in sustainability performance by measuring, managing and communicating items such as carbon footprint, energy usage and water consumption.

Xylem earned a 2015 ["disclosure score" of 92 from CDP](#) (formerly the Carbon Disclosure Project), an organization that works with the world's largest corporations to ensure that an effective carbon emissions/reduction strategy is integral to their businesses – and that progress in this area is publicly disclosed. This result represented an improvement of four points over our 2014 disclosure score, and was eight points higher than the CDP climate change program average. We also earned above average disclosure scores in the areas of Governance & Strategy, Risk and Opportunity Management and Emissions Management.



At Xylem, our pumps, mixers, treatment systems and analytical instruments help customers solve their unique water challenges. But we aim to take it one step further by making sustainability a part of the product design and the management of the solution.

At Xylem, we develop products that use less energy and require the use of fewer or no chemicals, which decreases waste that can harm the environment and lowers the overall resources consumed in the product's lifecycle. In 2015, we embarked on new projects around the globe where our environmentally responsible products were put into operation for our customers.

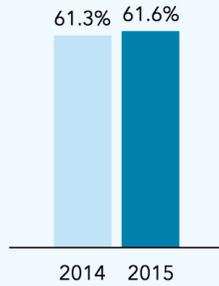
We continued our efforts to improve the energy efficiency of our product lines. For three significant product lines, we increased the combined Product Efficiency percentage by 0.3 percent. This means we are lowering the "waste energy" that is mainly lost as heat. The increase in product efficiency for these three lines equates to eliminating 75,000 metric tons of CO<sub>2</sub> emissions annually, which according to the U.S. Environmental Protection Agency is equivalent to the annual greenhouse gas emissions of 15,715 passenger vehicles.

Simultaneously, as water issues escalate and evolve, the need for different products that address these new challenges will increase. Our aim is continuous product innovation and an increase in the percentage of sales from new products that address these new challenges, including energy efficiency. To continue on the product innovation path, we set a goal in 2015 to achieve a 25 percent Vitality Index - the percentage of total sales from Xylem products launched in the last five years - by 2020.

**Metrics:**

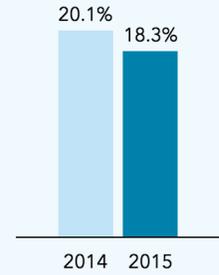
**Product Energy Efficiency**

- Below are average Product Efficiency percentages for our Flygt, Steady and Grindex pumps, which accounted for 35 percent of our 2015 sales. The percentage measures the amount of energy these pumps use to do their jobs, such as transporting water

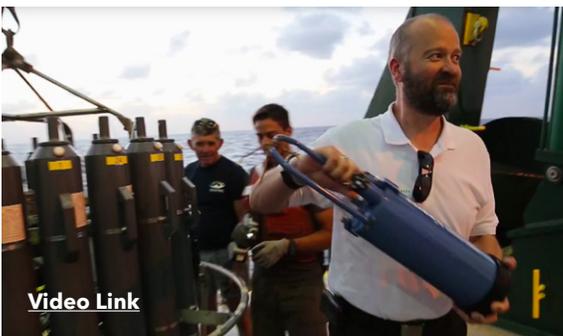


**Product Innovation**

- At Xylem, we measure our Vitality Index - the percentage of total sales from Xylem products launched in the last five years. In 2015, the percentage decreased year-over-year as certain highly successful products dropped out of the metric because they had been on the market for more than five years.



**Feature Stories**



[Video Link](#)

## Monitoring Ocean Health with pH Sensors.

Rising levels of atmospheric carbon are resulting in higher ocean acidity, which can have profound negative effects on the health of ocean plant and animal life. This year, we participated in the prestigious Wendy Schmidt Ocean Health XPRIZE, a competition that invites scientists, engineers and innovators from around the globe to improve our understanding of how CO<sub>2</sub> emissions are affecting ocean acidification, and to develop a new pH-sensing platform that can help begin the process of healing our oceans. Our innovative solution uses sophisticated optical sensors as well as calibration and validation systems to provide critical data to better understand this threat to our oceans.

## Saving Our Customers Time and Money.

Xylem water and wastewater pumps are built to last a long time if they are properly maintained. But not all customers perform proper maintenance on a regular basis. With good intentions but limited resources, some customers adopt a run-to-failure approach that can significantly reduce the life of a pump. With our TotalCare Services, Xylem technicians take a proactive approach to prevent issues and ensure long lives for our pumps. In addition to extending the pump life, these services lead to environmental benefits such as reduced need for new resources and material, fewer travel-related emissions for service and repair, and higher-efficiency performance. And with the addition of our Condition Audits, technicians can advise customers on which repairs are urgent and which ones can wait – keeping all pumps running smoothly and efficiently.



[Video Link](#)

## Feature Stories (cont.)



## No Clogging, Less Energy with Our Smart Controls.

A plastic bag, a diaper, and even a towel – with our award-winning N-technology none of them can clog the Flygt Exporior pump, even when it's pumping at maximum efficiency. When the pump is connected to our Flygt SmartRun intelligent controls, the pump can reduce blockages while consuming up to 50 percent less energy.

## Using UV to Heal the Chesapeake Bay.

As excessive nutrients entered the Chesapeake Bay Watershed, fueling large and harmful algae blooms, we partnered with a wastewater treatment plant in Frederick, Maryland, on a solution. The plant installed our Wedeco ultraviolet system to reduce nitrate nitrogen and total phosphorous being discharged into the watershed. This solution is helping to slow the growth of damaging algae blooms, which results in higher oxygen levels and improves the ability of the bay to act as a healthy ecosystem.

## Creating Compost with Less Energy.

In Yorkshire, U.K., our energy-efficient Flygt top-entry agitators – a propeller type of mixer that can handle thick, high-fiber sludge – are part of a new waste treatment facility that processes and recycles waste. The plant produces nutrient-rich compost for land application and biogas green energy that generates roughly three-quarters of the plant's own energy needs. These processes are reducing waste going to landfills while supporting the U.K.'s transition to a low-carbon economy.

## Xylem Data Buoys Protect Riverbed.

The Connecticut Department of Transportation chose our YSI data buoys to monitor water quality during a bridge repair project on the Housatonic River. In accordance with U.S. Environmental Protection Agency and Connecticut Department of Environmental Protection requirements issued pursuant to the Clean Water Act, the buoys electronically relay real-time information about churning and turbidity – or the presence and movement of muddy water from construction - that could be damaging the riverbed. These "smart" buoys also eliminate potential injury risks associated with traditional manned boat-monitoring missions.

## Treating Wastewater With Less Water Waste



In June 2015, Xylem unveiled a drinking water filtration system that destroys difficult-to-treat contaminants—including personal care products, active pharmaceutical ingredients and steroids, pesticides and herbicides—while using less water than other treatment methods.

Our Leopold Oxelia™ filtration system is a multi-barrier solution that combines ozone oxidation and biologically active filtration into a single process. This solution is powerful and flexible enough to eliminate “contaminants of emerging concern” that can pass through conventional wastewater treatment processes. If these contaminants are discharged back into surface waters, they can cause harm to aquatic life and to people who draw their drinking water from these sources.

Oxelia produces a supply of clear and biologically stable water that protects water ecosystems and is safe for drinking.

The process also conserves water by minimizing filter backwash. Other treatment systems concentrate the collected contaminants into a waste stream that can represent as much as 20 percent of total flow—and also require additional special treatment. With Oxelia, the filter backwash makes up less than 3 percent of total flow, and can be sent back to the beginning of the system for a second pass-through or managed by a solids handling system that requires no special treatment.

After years of extensive testing, this new system was officially unveiled last year at the American Water Works Association annual conference in Anaheim, California. The state was—and still is—in the midst of one of the most severe droughts on record, and water reuse was a prominent topic of interest at the conference. The location of this new product launch reinforced the vital role that Oxelia can have in increasing water reuse capabilities in order to secure a sustainable water supply today and for future generations.



Xylem's global footprint includes more than 50 major facilities in the Americas, Europe and Asia Pacific regions. At all of these locations, Environment, Health & Safety (EHS) teams are putting sustainability-related processes and practices in place and employees are taking accountability for their actions in the key areas of environmental performance and workplace health and safety.

In 2015, we introduced a set of goals that gives us measurable targets to aim for and adds a sense of urgency to our Xylem-wide operational improvement efforts.

Using our 2014 metrics as a baseline, we have challenged ourselves to achieve the following Xylem-wide improvements:

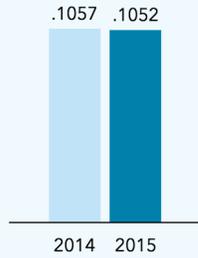
- 25% reduction in water use intensity by 2019
- 20% reduction in greenhouse gas emission intensity by 2019
- 20% reduction in waste to landfill per dollar of revenue by 2019
- Reduce injury frequency rate to less than 0.5 and injury severity rate to less than 6.0 by 2017

In the year since we introduced these goals, we have generated encouraging results at the site and enterprise levels—and look for the rate and scale of our progress to increase as these goals are further integrated into our business strategy. Sustainability is an ongoing priority for us and we continue to challenge ourselves to do more.

**Metrics:**

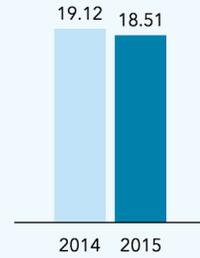
**Total Water Withdrawal Intensity**

(mega-liters / annual revenues in millions USD)



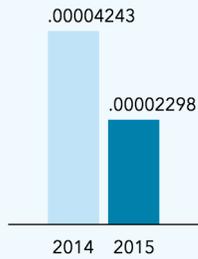
**Total Greenhouse Gas (GHG) Intensity**

(metric tons CO<sub>2</sub>e / annual revenues\* in millions USD)



**Total Waste to Landfill**

(metric tons) Percentage of total waste sent to landfill per dollar of revenue



**Workplace Safety**



**Feature Stories**



## Recognizing Outstanding Safety Results.

In 2015, Xylem created enterprise-wide Safety Excellence Awards to recognize sites across all our businesses that achieved excellent safety performance. More than 200 sites received the Zero Incident Award for operating throughout 2015 with no injuries and no serious misses, and nearly 30 sites were recognized with the Most Improved Performance Award for improving their safety performance – as measured by injury frequency – by 50 percent or more. In addition, we presented our CEO Safety Excellence Award to one manufacturing site and one sales/service site that achieved exemplary safety results in 2015 and continually seek to improve safety in their operations. The sales/service winner was our Brisbane, Australia site, which had zero injuries in 2014 and 2015, and which implemented a “watch out” program to encourage employees to wear – and make sure their colleagues are wearing – proper personal protective equipment. The manufacturing winner was our pump production plant in Calamba, Philippines that has operated four years without an injury and engages 100 percent of its workforce – including office personnel – in various safety activities such as find-it/fix-it, skill Olympics and daily stretching.

## Feature Stories (cont.)



### Reducing Emissions through Carbon Offsets.

In 2015, the Xylem sales and service facility in The Netherlands joined a carbon offset program to compensate for the emissions generated by its building. The Dutch facility purchased green electricity and offset 100 percent of emissions associated with its natural gas use—equivalent to 62 metric tons of carbon dioxide (CO<sub>2</sub>) equivalent emissions—through the the Gold Standard Program. Founded by the World Wide Fund for Nature, the program invests in energy efficiency and renewable energy projects that reduce CO<sub>2</sub> emissions.



### Recycling Rain for Product Test Tanks.

Xylem pump manufacturing plants around the world submerge their products in water-filled tanks to test their performance. Increasingly, a number of these sites are collecting rainwater to fill the tanks and lower their water consumption. In 2015, two Xylem sites in South America installed systems to collect and reuse rainwater for their test tanks, joining other sites in Canada and the Philippines that are already following this water conservation practice.



### Using Online Tool to Meet Eco-Efficiency Goals.

In mid-2015, after a year-long pilot program, Xylem rolled out its Eco-Efficiency Easy Tool for use at our global sites. This web-enabled tool better enables sites to evaluate and select best practices to reduce energy and water use, and minimize waste. By the end of 2015, eco-efficiency plans—including selected actions for implementation, responsible persons and completion dates—had been created at our major facilities units worldwide and work on these plans is proceeding.

## Feature Stories (cont.)



## Employees: Safety is My Responsibility.

At Xylem, personal accountability is a significant component of our efforts to create safe and healthy workplaces. While we have dedicated Environment, Health & Safety team members at all sites, all employees accept responsibility to keep themselves and their co-workers safe – by taking part in ongoing training and safety meetings, and following through with safe actions and behaviors that benefit everyone. In June 2015, global employees at our Applied Water Systems Growth Center pledged to make safety a priority, signed banners and posted cards in their worksites that explained their personal reasons for staying safe. And Szymon Dembiński, a Xylem colleague at our production plant in Kostrzyn, Poland, was recognized as a “2015 Safety Hero” for his belief that “safety is not somebody else’s job” and for his actions that supported that belief.

## Productivity Meets Sustainability at Our Emmaboda Plant



Xylem’s largest manufacturing plant is located in Emmaboda, Sweden. Each year, this cutting-edge facility produces more than 150,000 Flygt brand submersible pumps and mixers, and in 2015 the site reached an historic milestone when it manufactured its 4 millionth [Flygt wastewater pump](#).

Home to Europe’s most advanced foundry for casting complex geometric shapes, the plant encompasses the entire production flow – from molten metal to finished products. Today, our Flygt portfolio generates nearly 37 percent of Xylem’s total annual revenues, and more than two-thirds of these products are manufactured in Emmaboda.



While the Emmaboda facility is the epitome of a highly productive plant, the site never sacrifices sustainability to achieve its output goals. Given that there is a foundry on the premises, many plant visitors—and employees—are impressed and pleased by the indoor air quality. The reason it's so clean? Environmentally friendly oils, paints and resins are used in the production process, and emissions from the foundry are carefully monitored.

Outside, we have created wetland ponds that use sedimentation and denitrification to clean storm water runoff from the facility. The water is treated to high quality levels so that it can maintain wetland habitat—providing breeding, feeding and nesting areas for local bird species, and a healthy environment for other fauna and flora populations sustained by the wetlands.

Most recently, management at Emmaboda embarked on a heat recovery project to reduce the plant's energy use and carbon footprint. Six years ago, the site installed a high temperature borehole thermal energy storage (HT-BTES) system, consisting of 140 boreholes—each 150 meters deep and fitted with high-efficiency heat exchangers. Since then, the site has been channeling much of its excess heat—generated from the foundry, data center servers, testing areas and material-hardening processes—into the boreholes, where it charges and warms the bedrock, creating a stored heat reservoir that can be reused to warm the site in the winter months.

Emmaboda has an annual heat demand of approximately 11-13 million kilowatt hours (kWh), but with the use of the HT-BTES system, the amount purchased from district heat suppliers has been reduced to 3-4 million kWh. Put another way, the system has decreased the amount of purchased energy by approximately 75 percent.

By the end of 2015, Emmaboda had a “bank” of more than 13 million kWh of excess heat stored in the boreholes and waiting to be used in the most effective ways. When recovered, this amount of energy could heat the entire facility for approximately three years.

Going forward, Emmaboda expects the recycled heat to cover more than 90 percent of the facility's heat demand—and the site will continue to pursue other sustainability projects that improve plant efficiency and productivity.



Xylem's tagline is an inclusive invitation: **Let's Solve Water.** Addressing the many water challenges our planet faces is a huge and vital undertaking that calls for collaboration and teamwork. We utilize a variety of resources and tactics to create two-way communication channels with our many stakeholders.

## Metrics:

### Stakeholder Engagement

- In 2015, Xylem collected more than 4,500 individual responses from customers about their experience with Xylem and how we can improve our performance and products going forward. The responses included transactional feedback, which was collected at digital "touch points" with a customer, and relationship-based feedback, which was collected proactively through direct interactions with our company. We also began using the Net Promoter Score (NPS) tool to measure customer satisfaction, which is being rolled out Xylem-wide in 2016.

For Xylem employees, who work around the globe, we regularly distribute communications on our business strategy and results, as well as many different issues and topics of interest. These, along with a biennial company-wide survey, are translated into multiple languages to help foster a "one company" culture.

For customers and end users, we publish news about our products and services through a variety of media channels, original research, white papers and case studies, and a customer-focused digital magazine *Impeller*. We also conduct voice-of-customer interviews and customer satisfaction surveys to learn more about their needs and their perceptions of our company and our products.

We also collaborate with other business and industry leaders through a variety of forums. Xylem is a member of several water- and sustainability-related organizations, such as Ceres, the UN Global Compact, the U.S. Water Alliance and the Value of Water Coalition, and we participate in and sponsor leading water-industry events.

By connecting and engaging the many talented people in our global workforce, and reaching out to external stakeholders and industry thought leaders, we amplify and accelerate our efforts.

| Member of:  | Partner with:  | Listed in:   |
|---|--|--|
| Water Industry Associations   | Xylem Watermark Nonprofit Partners   | Sustainability-Related Financial Indices   |
| <a href="#">Europump</a><br><a href="#">Hydraulic Institute</a><br><a href="#">International Water Association</a><br><a href="#">Stockholm International Water Institute</a><br><a href="#">Water Environment Federation</a> | <a href="#">China Women's Development Foundation</a><br><a href="#">EarthEcho International</a><br><a href="#">Fundación Avina</a><br><a href="#">Mercy Corps</a><br><a href="#">Planet Water Foundation</a><br><a href="#">Water For People</a> | <a href="#">Dow Jones Sustainability Index</a><br><a href="#">NASDAQ CRD Index</a><br><a href="#">FTSE4Good Index Series</a> |
| Sustainability Reporting Organizations  | Water Research and Education Partners  |  |
| <a href="#">CDP (formerly Carbon Disclosure Project)</a><br><a href="#">Ceres</a><br><a href="#">Global Compact Nordic Network</a><br><a href="#">UN Global Compact</a>   | <a href="#">Singapore Public Utilities Board</a><br><a href="#">MASDAR</a><br><a href="#">MIT</a>  |  |
| Manufacturing/Business Associations   |  |  |
| <a href="#">MAPI Sustainability Council and Environment, Safety &amp; Health Council</a><br><a href="#">National Association for Environmental Management</a>   |  |  |
| Governance/Ethics Associations  |  |  |
| <a href="#">Ethics Resource Center</a><br><a href="#">Ethisphere</a><br><a href="#">Society of Corporate Compliance and Ethics</a>  |  |  |

**Feature Stories**



[Video Link](#)

## Committed to Action on Climate.

"The connection between climate and our shared water resources cannot be ignored." CEO Patrick Decker made that statement in December 2015 when Xylem signed on to the American Business Act on Climate Pledge, joining more than 140 companies from across the U.S. that are committed to climate action.

## Feature Stories (cont.)



## Urgent Need for Infrastructure Investment.

Xylem President and CEO Patrick Decker joined other business leaders as part of the Executive Council on Infrastructure, launched by the Bipartisan Policy Center. The Council is focused on finding ways to encourage private investment in U.S. infrastructure—bridging the gap created by a lack of government funding. Xylem’s involvement in the Council raises awareness of the urgent need for investment in critical water infrastructure across the country.



## Sparking a Renaissance.

With our original research, entitled [Powering the Wastewater Renaissance](#), we outlined how the wastewater sector could cut energy consumption and reduce related harmful emissions with existing proven technologies. Nearly 50 percent of the electricity-related emissions from the global wastewater sector could be abated at a negative or neutral cost. This translates to a potential global volume of 44 million metric tons of CO<sub>2</sub> equivalent that could be abated annually.



## Leading the Industry.

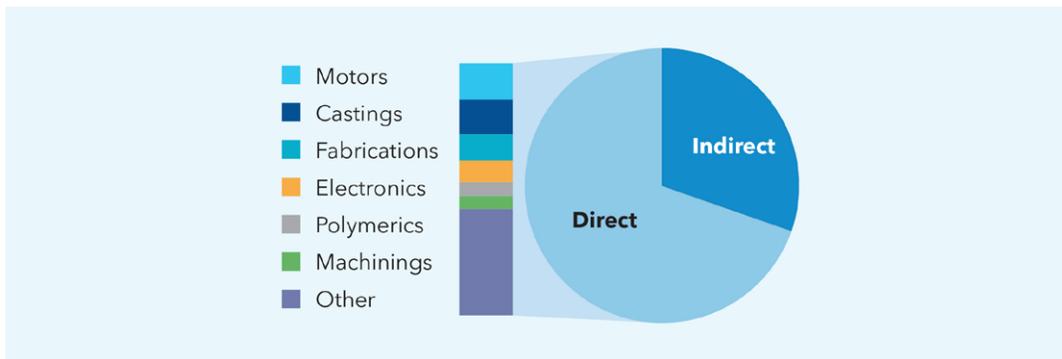
Xylem senior business leaders participated in the [6th American Water Summit](#) in October 2015. The event brings together senior executives and top decision-makers from water, energy, finance, technologies and cities to talk about the business of water. In his discussion, Xylem President and CEO Patrick Decker addressed the linkages between water infrastructure and climate change. Earlier in the year, Xylem executives also took part in the [Global Water Summit](#) and addressed issues such as smart green cities and emerging trends in the public/private water delivery models.



## Publishing Our Climate Change Policy.

In May 2015, Xylem published a corporate [Climate Change Policy](#), which sets forth a commitment to developing solutions to the water-related challenges associated with climate change through our products, operations, employees, stakeholder engagement, corporate citizenship and social investment.

## Tightening Our Supply Chain Partnerships



Xylem works with more than 11,000 suppliers in all regions of the world, spending approximately \$2 billion each year for the parts, systems and services we need to produce and deliver water solutions to our customers.

As we take action to become a more sustainable company, we also strive to ensure that our suppliers share our values. They aren't simply delivering motors, components, raw materials and other resources; our suppliers are a reflection of our organization.

Xylem operations conduct most of their business with local suppliers, but all suppliers—regardless of size or location—are expected to adhere to our global sustainability standards. In 2015, we took a number of steps to ensure we are partnering with suppliers who support and reflect our sustainability culture.

Using a more rigorous and far-reaching process than in years past, we conducted sustainability audits with existing suppliers in Europe, and have more audits planned for 2016. The audits prioritized suppliers located in countries where human and labor rights issues could be a concern, and on suppliers located in water-stressed areas. The audit questionnaires focused on the following areas: environment, health and safety practices, including water-related risk management; human rights and labor rights; conflict minerals, business continuity planning and facility security.

As part of our new procurement process, any new Xylem supplier is required to align with our culture—in terms of product quality, process capabilities and sustainable actions.

These initiatives augment other supplier-focused sustainability activities that have been in place for a number of years. Xylem requires its suppliers to adhere to the standards in our Supplier Code of Conduct, and we conduct regular audits to ensure compliance and take corrective actions where necessary.

Xylem's standard procurement Terms and Conditions requires our suppliers to comply with Xylem's technical and commercial requirements, as well as all applicable legal regulations, human and labor rights, and with our Supplier Code of Conduct.

# To Create an Enduring Company



## Metrics:

Following are certain full-year financial results. Our complete 2015 financial results\* can be found here:

### Revenue

**\$3.65** billion

### Operating Income

**\$449** million

### Retained Earnings

**\$885** million

### Dividends Paid

**\$102** million

### Outstanding Shares

**179** million

Solving water challenges is a never-ending mission, and we are working to ensure our company is built to endure the long road ahead. We operate our business responsibly, guided by high standards of governance, fostering a culture that is focused on achieving financial growth in an ethical, sustainable and compliant manner.

The foundation of Xylem is based on our four core values: respect, responsibility, integrity and creativity. Through Code of Conduct training, Xylem employees gain a deep understanding of these core values and the types of behaviors, actions and decisions that will enable them to support these company values. Every other year, we conduct global Code of Conduct training for all employees, and we provide training to all new employees and to targeted locations throughout Xylem on a continuous basis.

A critical component of our mission to create an enduring company is a commitment to pursue sustainable innovation. Whether innovation comes in the form of new products, services or even business models, this process of continuous improvement provides us with a competitive advantage and opens the door to forging new partnerships that bring us closer to emerging water issues.

\*GAAP

## Feature Stories



[Link](#)

## Creating a More Sustainable Product Portfolio.

In 2015, Xylem transitioned its production of new mobile Godwin brand dewatering pumps in the U.S. to meet new Tier 4 emission standards. The standards, issued by the U.S. Environmental Protection Agency, require diesel engines that emit significantly lower particulate matter and nitrogen oxides. As one of the world's largest provider of rental and for-sale portable, diesel-powered dewatering pumps, Xylem's adherence with the new standards positions us for more and bigger jobs.



## Strong Governance Practices.

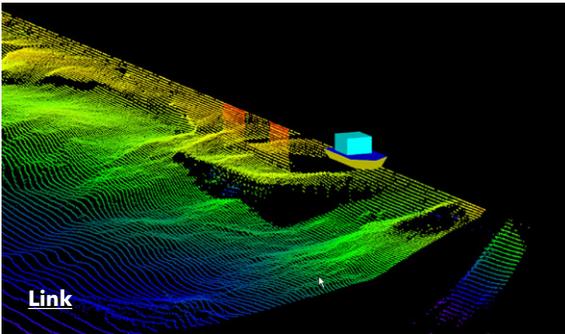
In the past year, Xylem began the transition to annual terms for its directors and, following shareholder outreach, adopted "proxy access." Proxy access is a mechanism that gives certain company shareholders the right to nominate a qualified director candidate on the company's proxy card to be voted upon by the shareholders as part of the annual shareholder meeting. With both of these practices, Xylem's board of directors continues to demonstrate its commitment to transparent and responsible governance practices.



## Building Employee Loyalty to Xylem.

Employee retention and engagement is a vital element in building an enduring company. With our new Career Frameworks tool, employees now get detailed direction from their managers about the competencies they need to succeed in their current job or to be considered for the next step in their career journey within Xylem. In 2015 Xylem provided two types of training to help managers engage their employees in the Career Frameworks program. During the year, approximately 75 percent of all Xylem managers took part in technical training on how to use Career Frameworks and/or training on how to operate as a coach when having development discussions with their employees. We have also designed a Building a Culture of Continuous Improvement program to drive a "productivity for growth" mindset within Xylem. In 2015, 139 members of our Extended Leadership Group and 31 Subject Matter Experts participated in the program.

## Feature Stories (cont.)



## Investing in the Future.

We are committed to meeting our customers' needs and expanding the markets we currently serve. One way we can accomplish this is by enhancing our current offerings with complementary solutions and intelligent full-systems capability. This year we activated our acquisition strategy and acquired Hypack - whose ocean and coastal management solutions and application expertise supports our strategy to acquire businesses that complement our global analytics portfolio. Hypack is a leading provider of hydrographic survey data acquisition, processing, and visualization software.

## Making Inroads into Emerging Markets



Xylem strives to be part of the solution in countries where the water crisis is at a critical stage – and where we can make an immediate and lasting difference.

In April 2015, Xylem was invited to participate in the [U.S. Presidential Trade Mission to the People's Republic of China](#). Xylem executives accompanied senior leaders from 25 other companies on this weeklong "Smart Cities – Smart Growth Development Mission." Visiting Beijing, Shanghai and Guangzhou, Xylem executives had the opportunity to meet with government officials and business leaders to discuss opportunities to provide Chinese communities with sustainable products and services, such as clean air and water technologies, smart buildings, green data centers, energy efficient technologies, waste treatment technologies, smart grid and green transportation.

Just prior to the Mission, state media in China reported that the government was committing \$330 billion to implement an action plan to combat pollution of its increasingly scarce water resources. "We are very encouraged by the Chinese government's commitment," said Xylem President and CEO Patrick Decker. "With a long history of operating in China and a strong local presence, we will continue to invest our time and resources to accelerate research and partner with local communities to solve their water challenges."



When we talk about a sustainable future, we accept the proposition that everybody should have access to fair shares of food, shelter, healthcare and water. This is much easier said than done.

A big part of the solution is for companies like Xylem to do their part in helping to drive sustainable development. This means growing our business and carrying out our main mission of helping to enable a water-secure future. We must also commit to continuous improvement: finding ways to do this work more efficiently, safely and more effectively each and every day.

In 2015, Xylem and our employees demonstrated our continued commitment to advancing sustainable development and creating a water-secure future by introducing more efficient products, engaging young people in the search for solutions, and embracing the importance of water on a personal level through their work and their volunteer activities and contributions to Xylem Watermark, our corporate citizenship program.

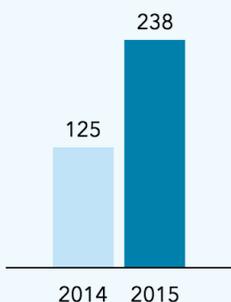
## Metrics:

### Combating Water Scarcity: The Impact of Xylem Watermark

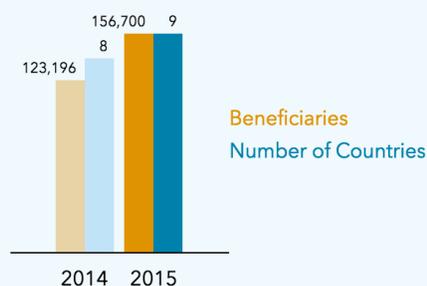
Xylem Watermark is our corporate citizenship and social investment program. Employees volunteer their time to work with our nonprofit partners on projects that provide and protect safe water resources for communities in need around the world and educate people about water issues.

### Xylem Watermark Employee Field Volunteers

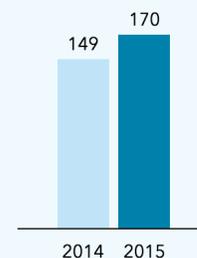
(for 3-12 day projects)



### Beneficiaries of Water, Sanitation and Hygiene (WASH) Projects and Disaster Relief Efforts:



### Xylem Watermark Access to Clean Water and Sanitation Projects:



## Feature Stories



[Video Link](#)

## Recognizing Outstanding Water Research.

Xylem is a founder and long-time supporter of the Stockholm Junior Water Prize, which recognizes high-school students throughout the world for forward-looking water-related research. The 2015 winner – Perry Alagappan from Houston, Texas – created a first-of-its-kind filter that removes more than 99 percent of heavy metal contaminants from drinking water and industrial wastewater.



[Video Link](#)

## Back to the Future with Human-Powered Pump.

Xylem's Saajhi treadle pump uses human weight and motion to move water and was designed to help smallholder farmers in rural areas irrigate their land more efficiently. The pump – which won a 2015 Silver Edison Award for inventiveness in the agricultural category – has already boosted production for rural farmers in Africa, Asia, and Central and South America, tripling crop yield while reducing labor and saving water compared to traditional furrow irrigation.



[Link](#)

## Rescuing a Sacred River.

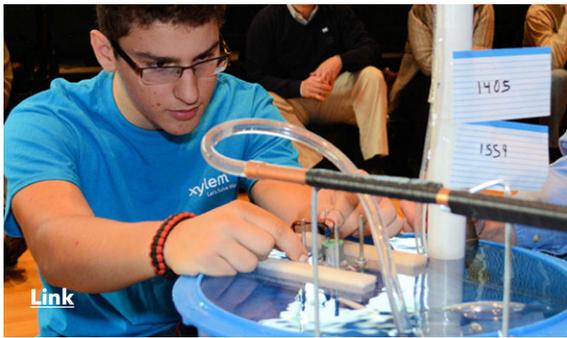
With training from Xylem colleagues, a group of volunteer students and hydrologists used our donated FlowTracker flow-measuring instrument to conduct the first survey of the downstream effects of Kathmandu's pollution on the Bagmati River. On a regular basis, thousands of people living along the Bagmati in Nepal wade into the river to remove trash – much of it generated from Nepal's capital city of Kathmandu. The river is a vital water source that they depend on for their water needs. The FlowTracker was employed in April 2015 – a day after 100,000 locals took part in the river clean-up – to create a flow baseline and explore changes in pollution. "We put a powerful tool in the hands of a committed group of people to help them rescue their sacred river," says Janice Landsfeld, a product manager for Xylem's Analytics business.

## Feature Stories (cont.)



### Solving Water Starts With Each of Us.

On World Water Day 2015, many Xylem employees around the world shared their thoughts about “what water means to me.” Their written answers, many of which focused on the importance of working for a company dedicated to solving water issues, were posted throughout our facilities as a way to further inspire their colleagues.



### Helping Educate Future Water Stewards.

In 2015, Xylem employees engaged students in solving tomorrow’s water challenges. In New York, Xylem engineers organized and judged the first “Let’s Solve Water Challenge” that encouraged high school-age engineers to design an original water filtration device. And in several U.S. states, Xylem employees visited fifth grade classrooms, conducting hands-on activities and presentations to educate students about the importance of water.



### Novel Solution Turns Water Pressure Into Electricity.

Xylem partnered with the clean energy company Rentricity to create a suite of products that convert excess pressure in water mains into renewable electricity. With our pumps, these systems use existing water pressure and flow inside the water line to spin a small generator and create energy – instead of dissipating the extra pressure through valves. The [energy-recovery solution](#) is now being piloted at a water distribution center in Pennsylvania, and Xylem and Rentricity are exploring ways to integrate our smart sensors, monitoring instruments and water quality technologies into future Rentricity systems.

## In 2015, Xylem Watermark Brings Hope to Hundreds of Thousands



Xylem Watermark delivers urgently needed water to people in water-starved regions and disaster zones. In 2015, our signature corporate citizenship program engaged Xylem employees in carrying out water, sanitation and hygiene (WASH) projects that benefited more than nearly 160,000 children, families and earthquake survivors in nine countries around the world.

Working with our nonprofit partners, employees built clean water towers and storage tanks at schools in seven different countries, spent a week in India to assess pressing water needs in various regions, provided WASH education to students in China, and made contributions to the Xylem Watermark fund that helped rehabilitate community water systems after earthquakes devastated Nepal in April 2015.

As a result of its significant impact on people around the globe, Xylem Watermark was honored by the U.S. Chamber of Commerce Foundation with the 2015 Corporate Citizenship Award for Best Health and Wellness Program.

A key element of Xylem Watermark's success is its strong focus on delivering sustainable solutions that will benefit the local community long after the initial project is complete.

For example, Xylem volunteers use a customized curriculum, developed in partnership with Planet Water Foundation, to teach students about germs through games or with coloring books, empowering them to become WASH teachers for their families and communities. A recent impact report showed that participants in the curriculum experienced an 80 percent decrease in diarrheal episodes, versus a 27 percent increase among children not participating in the program.

In addition, we participate in Water For People projects that employ a train-the-trainer model to engage local leaders to serve as role models and mentors within their communities. After volunteering to monitor water and sanitation facilities across four districts in West Bengal, India, Nabeegh Subhani, a Xylem sales manager from Canada, remarked, "I saw that by providing long-term water solutions and WASH education, Xylem Watermark is truly making a lasting impact on the lives of children and their families."

[Click here to view video highlights of Xylem volunteers working with Planet Water Foundation in December 2015](#) to build gravity-fed water towers for a school in Cambodia, and [click here to visit the Xylem Watermark site](#) to learn more about this impactful program that is creating a sustainable future for millions of people on our planet.

A blue sky with white clouds and a single bird in flight. The bird is a small, dark silhouette with white wings, flying towards the right. The sky is a gradient of light blue, with the sun visible in the top left corner, creating a bright glow. The bottom of the image features a teal gradient background with a curved line separating it from the sky.

# Progress against G4 Reporting Guidelines

G4-1

## CEO Message

### At Xylem, our mission is simple: Let's Solve Water.

Those three words encompass a lot. There's an inherent linkage between water, climate and sustainability. As a global water technology provider, we address each of these - and the relationship between them - on a daily basis with a unique combination of applications expertise, innovative technology and a team of 12,500 employees who are committed to creating value for our many stakeholders. At Xylem, we are in a unique and exciting position; our mission to solve water impacts everyone on the planet and intersects with other urgent sustainability issues. Access to safe water is critical to economic growth and global health and we take our responsibility to manage this valuable resource seriously.

Our company-wide sustainability strategy and ambitious long-term goals are focused on four key strategic pillars – our offerings, our operations, external engagement and our organizational culture.

Our energy-efficient products and offerings span across the entire water cycle – from water intake to treatment to return – and address the unique challenges at each stage. We are investing more than ever before in R&D and innovation to develop sustainable technologies that can meet our customers' greatest needs. With California in the midst of a five-year drought, the state is looking for reliable and drought-proof water supplies. This year a major wastewater treatment plant in Los Angeles installed our Wedeco water reuse solution as part of a project that will provide 12 million gallons per day of highly purified, recycled water to reduce its dependency on imported water. With this innovative and sustainable technology, we will help ensure that the plant complies with California's stringent groundwater recharge regulations in the safest and most cost-effective way possible, while helping the city develop a drought-proof water management system.

While we are developing sustainable solutions for our customers and collaborating with external partners, we are also focusing inward to ensure that our own operations adhere to the same sustainable mindset. At our manufacturing plant in Emmaboda, Sweden, we have developed a heat recovery project to reduce the facility's external energy purchases and carbon footprint. Throughout the year, a system of boreholes creates a stored heat reservoir that can be used to warm the site in the winter months. This year, enough excess heat was captured to warm the entire facility for approximately three years. Going forward, we expect that the recycled heat will satisfy more than 90 percent of Emmaboda's heat demand.

At the same time, we engage similarly with our committed external partners – colleagues in the water sector and across industries, academics and innovators, NGOs and local governments – to work with us to solve the unique water-related challenges of today and plan for those on the horizon.

Our shared mission was never clearer than this past year during the 2015 United Nations Climate Change Conference in Paris. Representatives from more than 190 countries adopted a landmark accord that commits nearly every country on the planet to lowering greenhouse gas emissions and slowing down the damaging impact of climate change. It was a unifying milestone that sets out significant work to be done. Investments in greener technologies that emit less CO<sub>2</sub> into the atmosphere are a top priority for many, but the initial costs involved can cause nations and businesses to push this priority down the road.

This year, we conducted original research that demonstrated how wastewater utilities can cut carbon emissions by nearly half by adopting readily available energy-efficient wastewater technologies. Furthermore, our research showed that since a revamped wastewater sector would consume less energy, 95 percent of these emission reductions would either pay for themselves or result in savings that could be channeled into additional sustainable upgrades.

Also this year, we joined 140 other business leaders to sign a climate pledge demonstrating our ongoing commitment to climate action; we are members of the Bipartisan Policy Center's Executive Council on Infrastructure, which is focused on finding ways to encourage private investment in U.S. infrastructure to bridge the gap created by a lack of government funding; and we have committed to the 10 principles of the UN Global Compact which calls on companies to align their strategies and operations with universal principles on human rights, labor, environment and anti-corruption, and to take actions that advance societal goals.

Sustainability is engrained in our corporate culture. Through Xylem Watermark, our corporate citizenship and social investment program, employees around the world help provide clean water to communities in need. We received the 2015 Corporate Citizenship Award from the U.S. Chamber of Commerce Foundation for the Best Health and Wellness Program. The award, which honors businesses for their significant impacts in communities around the world, recognized our work to provide sustainable access to water, sanitation and hygiene solutions to many of the world's most vulnerable communities.

Many more examples are included in this 2015 Sustainability Report. We are proud of the progress we have made on our journey, and will continue to advance sustainability in the water sector and beyond.

What we do matters, and the way we do to it—with a sustainable mindset—is just as crucial. We are determined to make a difference, to solve urgent water challenges, and continue to build Xylem as a sustainable business that defines success not just by our work in the water industry, but by our ongoing impact on the world.



Patrick K. Decker

G4-3

## Organization Name

Xylem Inc.

Our name is derived from classical Greek and is the tissue that transports water in plants, highlighting the engineering efficiency of our water-centric business by linking it with the best water transportation of all – that which occurs in nature.

Our company tagline and call to action is Let's Solve Water.

G4-4

## Primary Products and Services

Xylem is a leading global water technology provider, enabling customers to transport, treat, test and efficiently use water. We develop, design and manufacture a broad product portfolio that includes pumps and accessories, wastewater and water treatment solutions, analytical instrumentation and monitors and controllers. Through our market-leading brands and applications expertise, we offer services and solutions that help our customers address their most challenging water and wastewater problems.

G4-5

## Headquarters Location

Xylem global headquarters is in Rye Brook, New York.

G4-6

## Countries of Operation

Xylem does business in more than 150 countries with operations in 40 countries and manufacturing and/or assembly facilities in the following countries:

### Americas

- ◆ United States
- ◆ Canada
- ◆ Mexico
- ◆ Argentina

### Asia Pacific

- ◆ China
- ◆ India
- ◆ Philippines
- ◆ Australia
- ◆ Singapore

### Europe

- ◆ Switzerland
- ◆ Sweden
- ◆ United Kingdom
- ◆ Hungary
- ◆ Austria
- ◆ Germany
- ◆ Norway
- ◆ Italy
- ◆ Poland

### Middle East and Africa

- ◆ United Arab Emirates

G4-7

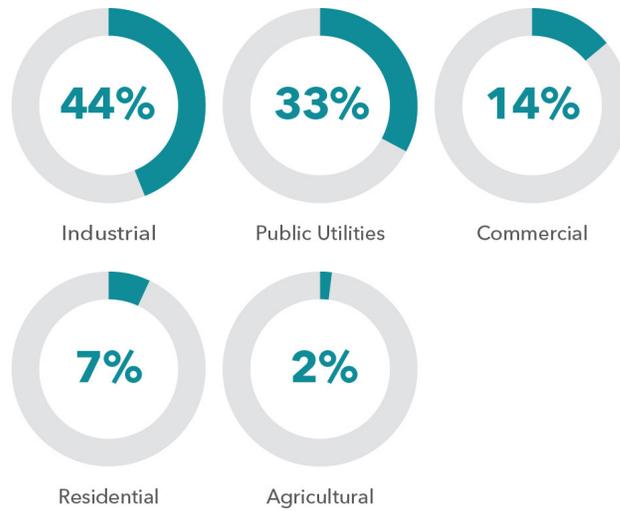
### Nature of Ownership

Xylem Inc. (XYL) is a publicly traded company listed on the New York Stock Exchange.

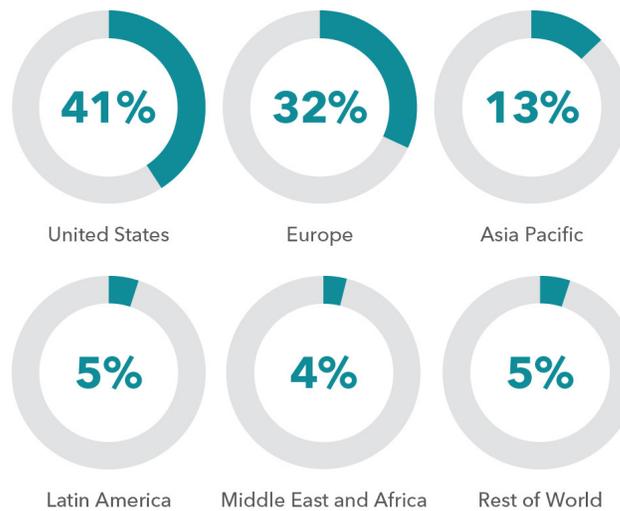
G4-8

### Markets Served

Xylem provides water solutions to customers in the following sectors (by revenue):



Xylem provides water solutions to customers in the following geographies (by revenue)



We sell our products in approximately 150 countries through a distribution network consisting of our direct sales force and independent channel partners.

G4-9

## Scale of Operation

Xylem has approximately 12,600 employees working in approximately 350 locations throughout the world. In 2015, we generated \$3.65 billion in revenues. Pumps, parts, accessories and services generated approximately \$2.9 billion, and a variety of other types of products generated an additional \$0.8 billion in revenues.

Xylem operates two business segments that are aligned with the cycle of water and the key strategic market applications they provide: Water Infrastructure and Applied Water. Water Infrastructure involves the process that collects water from a source and distributes it to users, and then returns the wastewater responsibly to the environment. Applied Water encompasses the uses of water. Since water is used to some degree in almost every aspect of human, economic and environmental activity, this segment has a significant number of applications and we participate in all major areas of water demand. [Our business is supported through strong functional teams in the areas of product strategy and marketing, innovation and technology, research development and engineering (RD&E), sales and service, application engineering, procurement and continuous improvement.

Our company has total assets of \$4.7 billion, and there were no significant changes in shareholder ownership of Xylem in 2015.

G4-10

## Employee Population Profile

The Xylem employee workforce is 23 percent female and is located in these regions:

- Europe: 50%
- Americas: 36%
- Asia, Middle East and Africa: 14%

As a technology leader in the water space, the majority of our workforce is employed in manufacturing, product management, customer service and engineering positions. The rest of our workforce fills leadership, management, business-building and support roles in finance, sales and marketing, IT, human resources, legal and communications.

There are no significant variations in employment numbers based on seasonal variations, such as tourism or growing seasons.

G4-11

## Collective Bargaining Agreements

Xylem has a significant number of employees around the world who are members of unions or work councils. Approximately 17 percent of our 4,400 U.S.-based employees are represented by labor unions. Currently, we do not track the percentage of employees covered by collective bargaining agreements on a global basis.

G4-12

## Supply Chain

Xylem works with more than 11,000 suppliers in all regions of the world, spending approximately \$2 billion each year for the parts, systems and services we need to produce and deliver water-solving solutions to our customers.

Most of these are local suppliers or provide local solutions to optimize the material flow and to reduce cost. The biggest categories in our supplier spend are: motors, castings, fabrications, electronics, polymerics and machinings, followed by a large variety of other categories that are required to produce and deliver our products to our customers.

More than 40 percent of the Xylem spend is associated with suppliers located on the North American continent (United States, Canada, Mexico). Nearly 40 percent is associated with European-based suppliers (mainly Sweden, Italy, Germany, Poland and France). The remaining 20 percent is spread across the Emerging Markets (China, India, Middle East Asia, South and Latin America).

G4-13

### Supply Chain Changes

There were no significant changes to the size, structure or ownership of Xylem’s supply chain network in 2015.

G4-14

### Precautionary Principle

In an informal but very important way, Xylem adheres to the precautionary principle. This means that even in the absence of scientific consensus, we will avoid actions or policies that we believe could cause harm to the health of people or the planet.

G4-15

### Charters, Principles and Initiatives

Xylem voluntarily subscribes to or endorses the following economic, environmental and social charters, principles or initiatives:

Environmental

- [UN Global Compact](#)
- [Global Compact Nordic Network](#)
- [American Business Act on Climate Pledge](#)
- [CDP \(formerly Carbon Disclosure Project\)](#)

Economic

- [Dow Jones Sustainability Index](#)
- [FTSE4Good Index Series](#)
- [NASDAQ CRD Global Sustainability Index](#)

G4-16

### Associations

Xylem holds positions in, participates with or provides funding beyond routine membership dues to the following industry associations and advocacy organizations.

Water Industry

- [Hydraulic Institute](#)
- [Europump](#)
- [International Water Association](#)
- [Stockholm International Water Institute](#)
- [Water Environment Federation](#)
- [MAPI Sustainability Council and Environment, Safety & Health Council](#)

- [Value of Water Coalition](#)
- [Bipartisan Policy Center Executive Council on Infrastructure](#)
- [U.S. Water Alliance](#)
- [U.S. Water Partnership](#)

Water Advocacy

- [Mercy Corps](#)
- [Water For People](#)
- [Planet Water Foundation](#)
- [Fundación Avina](#)
- [China Women's Development Foundation](#)
- [EarthEcho International](#)

Social/Governance/Ethics

- [Society of Corporate Compliance and Ethics](#)
- [Corporate Executive Board](#)

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17

### Company Entities

The list of all entities within our company is contained in the consolidated financial statements section of the [Xylem 2015 Form 10-K](#), which was filed on February 26, 2016. It includes the legal names of our nearly 150 subsidiaries, the jurisdiction of these organizations, and the name under which they do business. This report includes results and accomplishments from all the entities listed in the Xylem 2015 Form 10-K with the exception of Tideland Signal Corporation, which was acquired by Xylem in February 2016.

G4-18

### Defining Report Content

In creating this report, our goal is to address sustainability issues that have the most significant and material impact on our company's business performance today and are important to our stakeholders - including customers, employees, local communities, shareholders and the broader society in which we operate. While there are many important issues covered in the GRI, we believe that providing greater insight and transparency about the issues that are most relevant to Xylem's business and the impact we have on the world will enhance our stakeholders' understanding of our business, our commitments and our progress.

In order to identify those significant issues, we collected and assessed data and other input from a variety of internal and external sources. Our internal stakeholders included key senior business and functional leaders, the Xylem Sustainability Steering Committee and our Environment, Health, Safety, Security & Sustainability team. We also relied on input from a cross-section of external stakeholders, including the investment community, NGOs, customers and partners, and

community leaders. We then evaluated the G4 indicators through three different lenses—the collective stakeholder feedback, Xylem’s strategic priorities and our enterprise risk management factors—to determine both their relative impact on our business and importance to stakeholders.

This robust analysis produced 17 material issues (listed under G4-19) that we have organized into five categories: Strategic Business Model, External Engagement, Environmental Stewardship, Our People, and Governance. Each material issue that we mapped onto our Materiality Matrix encompasses multiple G4 indicators.

G4-19

## Material Aspects in Report

This report includes information on the 17 material aspects identified in the materiality process for defining report content. The 17 identified material aspects are:

- Economic Value Creation
- Innovation
- Sustainable Products & Services
- Community Impact
- Water Thought Leadership
- Global & Local Citizenship
- Product Materials
- Energy Efficiency of Our Facilities
- Climate Change Mitigation
- Water Stewardship
- Biodiversity
- Packaging & Waste
- EHS at Xylem
- Talent Development
- Global Workforce
- Integrity & Transparency
- Responsible Supply Chain

We will continue to collect input from internal and external stakeholders about these issues, their potential impact on Xylem’s business now and in the future and their relative importance to our stakeholders. If necessary, we will adjust our materiality matrix to reflect any substantive changes.

Information on these material aspects is presented in this GRI Progress Report and through feature stories that are part of the larger Xylem Sustainability Report and highlight specific initiatives from 2015.

G4-20

## Aspect Boundary Within the Organization

The material aspects that were rated very high on our Materiality Matrix—for Impact to Xylem’s Business—included:

- Economic Value Creation
- Integrity & Transparency
- Innovation
- Sustainable Products & Services
- Water Thought Leadership
- Talent Development

G4-21

### Aspect Boundary Outside the Organization

The material aspects that were rated very high on our Materiality Matrix – for Importance to Stakeholders – included:

- Economic Value Creation
- Integrity & Transparency
- Innovation
- Sustainable Products & Services
- Water Thought Leadership
- Community Impact

G4-22

### Explanation of Restatements

Xylem believes in reporting transparency and accountability. As part of our annual reporting process, we measure and evaluate our performance and communicate our progress and challenges. We normalize a number of our Environment, Health & Safety metrics based on revenues to allow for a consistent year-over-year comparison that is not impacted by acquisitions, divestitures, employee turnover and other similar factors. Significant restatements of data compared with prior years are noted in the section where they appear.

As part of the continuous improvement of our reporting process, certain 2014 data that appeared in last year’s report and other documents has been restated. There were three contributing factors for these restatements.

First, the definitions of certain indicators were refined to support accurate reporting. As a result, some previously reported data was adjusted to be consistent with the refined definitions. Second, further education enabled us to identify corrections to previously reported values. Finally, greenhouse gas (GHG) emission factors were updated to current published rates, resulting in GHG adjustments.

Restatements of data are noted in the section where they appear.

G4-23

### Significant Report Changes

We use the GRI standards to provide readers with easy access to specific information and to provide more transparency about our company and operations. This year, we transitioned from GRI’s third generation (G3) guidelines to its fourth generation (G4) standards. G3 reporting guidelines asked companies to report on everything they monitor. G4 represents GRI’s most up-to-date and comprehensive guidelines, and encourages companies to focus their report content on material issues that matter most to their business and stakeholders. The transition from G3 to G4 is designed to make reporting guidelines more user-friendly for reporters, improve the technical quality and align more closely with other reporting frameworks.

G4-24

## Stakeholder Groups

At Xylem, we consider our key stakeholders to be:

- Customers and end users
- Employees
- Shareholders
- Suppliers
- Local communities

We also consider the broader society by including stakeholders such as certification and regulatory agencies, sustainability and financial rating agencies, and associations and non-governmental organizations.

G4-25

## Stakeholder Definition

We identify a key stakeholder group as one that is critical to our business and strategy and a core partner in our growth and sustainability efforts. We work to engage our key stakeholder groups regularly as well as stakeholder groups representing the broader society.

G4-26

## Stakeholder Engagement Methods

We identify a key stakeholder group as one that is critical to our business and strategy and a core partner in our growth and sustainability efforts. We work to engage our key stakeholder groups regularly as well as stakeholder groups representing the broader society.

We reach out to and engage our stakeholders in many ways, with a focus on our key stakeholders. These include:

- Customers and end users – white papers, voice-of-customer interviews, customer satisfaction surveys, Impeller customer magazine, news releases
- Employees – Good Company Assessment surveys (last conducted in 2014), Partnership for Performance manager-employee appraisals, Ethics hotline and Code of Conduct, available in 26 languages, Xylem Employee Ombudsperson program and employee training and development
- Shareholders – annual report, quarterly earnings reports and webcast conference calls, and proactive shareholder outreach program on performance, plans and corporate governance; in 2015, we also held an Investor Day in September.
- Suppliers – Xylem Supplier Ombudsperson program, Supplier Code of Conduct available in 18 languages and Supplier Day events
- Local communities – Local operations outreach; Xylem Watermark field assessments and sponsorship of local community initiatives
- Certification and regulatory agencies – ISO and OHSAS certification inspections and permit applications
- Associations and NGOs – memberships and partnerships with the U.N. Global Compact, Ceres, U.S. Water Alliance, Value of Water Coalition, U.S. Water Partnership, Business Roundtable, Bipartisan Policy Center, Xylem Watermark partners and others (see G4-15)

G4-27

## Stakeholder Feedback and Concerns

Two years ago, Xylem proactively solicited stakeholder feedback about our sustainability efforts through a teleconference with industry peers, financial analysts, academic institutions, water- and sustainability-focused nonprofit organizations and members of the Xylem Sustainability Steering Committee.

These stakeholders reviewed Xylem’s sustainability strategic framework and initiatives. The meeting generated a healthy dialogue and provided us with useful feedback and recommendations for improvement. While the entire report contents can’t be shared because it contains confidential and competitive information, below are a few areas that we can share:

The group encouraged Xylem to set more ambitious sustainability goals that are “aspirational and utilize the unique strengths of Xylem.” In 2015, we followed that guidance and created a [more ambitious set of sustainability goals](#). The group also recommended that we explore our supply chain as a key pillar for inclusion in future sustainability efforts. Consequently, Xylem developed a Supplier Code of Conduct, reinforced the existing process for sustainability assessment as part of our overall assessment of our suppliers’ capabilities, and started piloting a sustainability audit process in the supply chain.

The Xylem Sustainability Committee is carefully considering additional input obtained during the engagement as they develop the next steps in Xylem’s sustainability journey. Consistent with its commitment to continuously improving its sustainability initiatives, the Company is also considering additional external stakeholder engagement opportunities including additional training sessions and external stakeholder engagement with CERES.

## REPORT PROFILE

G4-28

### Reporting Period

This report captures full-year sustainability results and progress for calendar year 2015.

G4-29

### Date of Previous Report

Our previous report was released in June 2015.

G4-30

### Reporting Cycle

We are committed to reporting on Xylem’s sustainability strategies and performance on an annual basis.

Our 2013 report was released in July 2014. The 2014 report was released in June 2015. This report was released in June 2016, and we aim to issue future annual sustainability reports earlier in the calendar year.

G4-31

### Contact Point

For more information about the content included in this report, contact [sustainability@xyleminc.com](mailto:sustainability@xyleminc.com)

G4-32

## GRI Content Index

This report adheres to the Core requirements stated in GRI's "In Accordance" guidelines for a G4 report. To meet the Core requirements, our report addresses the Standard Disclosures that all G4 reports must contain, and provides information about at least one indicator related to each material aspect that we have identified for Xylem per our Materiality Matrix.

The GRI Content Index below outlines the indicators included in this report and a link to their location in the report. The GRI Content Index also indicates which disclosures have been externally assured.

While GRI does not require external assurance of all the data in a report, in 2015 Xylem engaged independent certification and verification providers, ERM-CVS, to conduct assurance of the environmental metrics contained within our Metrics for Environment, Safety & Health (MESH) system. ERM-CVS provided an assurance statement for total direct energy use, total indirect energy use, total direct greenhouse gas (GHG) emissions, total indirect GHG emission, total water withdrawal, total hazardous waste and total non-hazardous waste. [Click here to view the assurance statement from ERM-CVS.](#)

[GRI Content Index Table](#)

## GOVERNANCE

G4-34

## Governance Structure

Xylem has a system of processes and controls designed to help us operate according to the highest governance principles, and it starts with our highest governing body, the Xylem board of directors. The 10 members on our board meet regularly to provide oversight and decision-making on key strategic issues affecting our company, and to represent the interests of all Xylem stakeholders. The company's Nominating and Governance Committee, composed entirely of independent directors, is responsible for reviewing the company's sustainability, corporate citizenship and safety, health and environmental affairs programs. This Committee also provides oversight of Xylem's ethics and compliance programs, including anti-corruption and trade compliance.

Our governance structure also encompasses the Xylem Ethics & Compliance function, and includes risk assessments, our code of conduct, internal controls and open channels of communication that—together with our board's oversight—create a system of checks and balances to ensure we are operating according to the highest ethical standards as we pursue industry leadership.

G4-37

## Board-Stakeholder Consultation

Xylem shareholders and other interested parties can contact individual board members, board committees or the entire board as a group by submitting a letter to our company's Corporate Secretary at Xylem Inc., 1 International Drive, Rye Brook, N.Y. 10573, USA, with a request to forward the letter to the intended recipient or recipients.

Xylem's board of directors values the views of our shareholders and believes that building positive relationships with our shareholders is critical to our long-term success. To help management and the Board understand and consider the issues that matter most to our shareholders, we regularly engage with our shareholders on a range of topics related to strategic and operational matters as well as executive compensation and governance matters.

In 2015, based on discussions with our shareholders we adopted “proxy access,” a mechanism that gives company shareholders a meaningful voice in Xylem’s board of director elections. With this good governance practice, shareholders meeting certain conditions can place the names of their nominees on the company’s proxy card. The Council of Institutional Investors believes that proxy access “invigorates board elections and makes boards more responsive to and more vigilant in their oversight of companies.”

G4-39

### Board Chairperson Independence

The Chairman of Xylem’s board of directors, Markos Tambakeras, is independent. Mr. Tambakeras has robust strategic and global operational industrial experience, having worked in increasingly responsible positions in several manufacturing companies. He has extensive background in international operations, providing experience and skills relevant to leading our board of directors.

At Xylem, we believe that having an independent Chairman, whose sole job is to lead the board, allows our CEO to focus his time on the strategy and operations of our company.

G4-40

### Board Nomination and Selection Process

Our Nominating and Governance Committee is responsible for identifying and recommending qualified director candidates to the board of directors. In fulfilling this responsibility, the Nominating and Governance Committee seeks to identify candidates who possess the attributes and experiences necessary to provide a broad range of personal characteristics to the Board, including diversity, management skills, and technological, business, global experience and other expertise, which includes sustainability experience and commitment. On an annual basis, as part of its self-assessment, the Board of Directors will assess whether the mix of directors is appropriate given the Company’s needs. As part of its process in identifying new candidates to join the Board of Directors, the Nominating and Governance Committee considers whether and to what extent the candidate’s attributes and experiences will individually and collectively complement the existing Board, recognizing that Xylem’s business and operations are diverse and global in nature.

G4-41

### Board Conflicts of Interest

Xylem’s [Related Party Transaction Policy](#) governs the treatment of any transactions or proposed transactions between Xylem and its directors. Transactions valued at more than \$120,000 involving directors are required to be approved by our board’s Nominating and Governance Committee. In 2015, there were no related party transactions that were reportable under SEC rules and that needed to be approved by the Nominating and Governance Committee.

As described in our Corporate Governance Principles, proposed new board memberships and relevant changes in affiliations are reviewed by the Corporate Secretary and the Chair of the Nominating and Governance Committee for potential conflicts or other concerns.

G4-44

## Board Performance Evaluation

The Xylem board of directors conducts annual self-assessments to evaluate its performance as a whole and at the Committee level. This includes an assessment of the Nominating and Governance Committee's work in overseeing the company's sustainability program and related activities. In 2015, the Board conducted its assessment in two parts. The first part was a detailed questionnaire and the second part was a director peer feedback process administered by an external advisor.

G4-46

## Board Risk Oversight

Xylem's board of directors has primary responsibility for overall risk oversight, including the company's risk profile and management controls. The board has delegated responsibility for the oversight of certain categories of risks to designated board committees that report back to the full board.

The Audit Committee monitors the company's operational and regulatory risk management and enterprise risk management program, including all risk mitigation processes. The Internal Auditor, who has responsibility for assessing, monitoring and auditing our global risk profile, reports directly to the Audit Committee and reports on a functional basis to our Chief Financial Officer.

The Leadership Development and Compensation Committee reviews and assesses compensation program risks to ensure that our compensation programs balance appropriate business risk and rewards without encouraging unnecessary or excessive risk-taking behaviors. This committee also exercises oversight of risk relating to succession planning for executive officers, including the CEO.

The Nominating and Governance Committee is responsible for overseeing the company's sustainability, corporate citizenship and environmental, health and safety programs. This Committee also provides oversight of Xylem's ethics and compliance programs, including anti-corruption and trade compliance.

G4-47

## Board Meeting Frequency

The Xylem board meets at least five times a year to review economic, environmental and social impacts, risks and opportunities for our company.

G4-51

## Board/Executive Compensation

All non-management directors are compensated in two ways, through a cash retainer and an equity, stock-based retainer. The equity retainer links each director's interests with both shareholder interests and Xylem's long-term performance. Likewise, Xylem's senior executives are compensated through a combination of base salary, annual performance-based incentive compensation and long-term performance-based equity awards, including performance share units, restricted stock units and stock options.

The target compensation mix for Xylem's most highly compensated officers is heavily weighted towards performance-based compensation. In 2015, 87 percent of CEO compensation and more than 70 percent of compensation for other named executive officers was in the form of annual performance-based incentive compensation and long-term performance-based equity awards. (This does not include any one-time at-hire awards or grants.)

Xylem has developed share ownership guidelines, designed to encourage senior executives and board members to build their ownership positions in Xylem’s common stock over time. All of our non-management directors and senior executives have met or are on track to meet these guidelines.

Our executive compensation philosophy, the share ownership guidelines and details of the compensation paid to our non-management directors and senior executives in 2015 are reported in our [2016 proxy statement](#).

## ETHICS AND INTEGRITY

G4-56

## Values, Principles and Standards

At Xylem, our business is guided by a number of values, principles and standards that ensure we are running our business with integrity and with a focus on ethical and lawful behavior. To reinforce these values, principles and standards, we have developed a number of documents that apply to all employees worldwide, as well as our board members:

- [Vision and Mission](#): We devote our technology, time and talent to advance the smarter use of water. We look to a future where global water issues do not exist. We want to become the world’s trusted leader in solving water issues.
- [Values](#): Respect, Responsibility, Integrity and Creativity
- [Code of Conduct](#): This document sets the rules that outline the appropriate business conduct and expected behaviors of all directors, officers and employees. It is posted publicly in 25 languages and is available to employees on our company intranet and to third parties on our public website. In addition, our [Supplier Code of Conduct](#) is posted publicly in 18 languages and is incorporated into our standard contracts.
- [Company Policies and Manuals](#): Xylem has a set of policies and accompanying manuals that establish rules of conduct in many areas, including anti-corruption, trade compliance, security and environment, health and safety.
- [Xylem Sustainability Report](#): Our company is committed to publishing an annual sustainability report that outlines Xylem’s strategies and performance in the area of sustainability. This is our fifth report since we became an independent company in 2011, and each follows the international guidelines developed by the [Global Reporting Initiative](#) (GRI).

G4-57

## Ethics Guidance

The mechanisms for seeking advice on ethical and lawful behavior—and matters related to organizational integrity—include consultation with management, Human Resources and our team of ethics and compliance professionals—including our Chief Ethics and Compliance Officer—calls to an anonymous external ethics hotline, and participation in our Code of Conduct training. Xylem engages in a robust, enterprise-wide Code of Conduct training for all employees every other year. (Training was not conducted in 2015. We conducted training in 2014, with an employee participation rate of 99 percent, and will conduct training in 2016.) We also have an extensive Ombudsperson Program designed to facilitate the communicating and reporting of ethics & compliance issues. The role of the annually trained Ombudsperson is to address employee ethical and compliance concerns confidentially and impartially.

G4-58

## Ethics Reporting

| Ethics and Compliance Reporting   | 2014 | 2015 |
|---|------|------|
| Number of Questions and Concerns Raised (through Xylem's complaint handling and resolution process) | 62   | 76   |
| Percent of Credible Reported Complaints Investigated  | 100% | 100% |
| Percent of Substantiated Cases Resolved (through discipline, training, process enhancement, etc.)   | 100% | 100% |

Xylem endeavors to create a corporate culture where employees are expected to report misconduct, where employees are provided myriad ways to report that misconduct and where retaliation for reporting misconduct is not tolerated. The mechanisms for reporting concerns about unethical or unlawful behavior – and matters related to organizational integrity – include a newly launched “Reporting Concerns” policy (i) encouraging employees to report through various company-provided reporting channels, including line management, local ombudspersons, human resources and an anonymous external hotline; (ii) prohibiting retaliation against any employee who chooses to report any misconduct in good faith. The number of concerns raised through this complaint-handling and resolutions process was in line with benchmarking in 2015 for a company of Xylem's size and industry and our total number of questions and concerns raised saw an increase by 22 percent percent from 2014 to 2015. This indicates that an increased focus on tone from the top, combined with communications and training, has elevated awareness of Xylem's ethics program. All credible reported complaints are investigated, which engenders employee trust in the process.

## ECONOMIC

G4-EC1

## Direct Economic Value Generated and Distributed

In 2015, Xylem reported revenue of \$3,653 million, and operating income of \$449 million. Following is an overview of some key full-year results:

|                           |                |
|---------------------------|----------------|
| Revenue                   | \$3.65 billion |
| Operating Costs           | \$3.20 billion |
| Retained Earnings         | \$885 million  |
| Dividends Paid            | \$102 million  |
| Shares Repurchased        | \$179 million  |
| Interest Paid             | \$52 million   |
| Xylem Watermark Donations | \$2.5 million  |

\*All financials are reported in GAAP

G4-  
EC2

## Climate Change Impact

Climate change can positively or negatively impact portions of our business.

Xylem provides products that aid customers with water resilience issues such as flooding events and drought conditions. Our Godwin dewatering pumps are used to help repair infrastructure that is damaged or destroyed by natural disasters such as hurricanes or floods. Xylem's Analytics products provide intelligent sensors, platforms and systems that measure water quality, level and flow – providing real-time information that can act as an early warning system to prepare communities for emergent problems. Similarly, drought conditions drive higher demand for pumps used in agricultural and turf irrigation applications, such as those provided by our Goulds Water Technology, Flowtronex and Lowara brands.

Climate change is also causing fluctuations in temperature. This results in varying levels of demand for products used in residential and commercial applications. Homes and buildings are heated and cooled with HVAC units that use pumps made by our Bell & Gossett brand. Given the unpredictable nature of weather conditions due to climate change, this may result in volatility for certain portions of our business and for the operations of certain customers and suppliers.

According to research by the Intergovernmental Panel on Climate Change (IPCC), climate change will intensify risks associated with water availability and quality. Moreover, the transport, treatment and use of both clean water and wastewater are significant sources of greenhouse gas emissions. In 2015, Xylem finalized and published our [Climate Change Policy](#), which outlines our commitment to developing mitigation and adaptation solutions to the water-related challenges associated with climate change through our products, operations, corporate citizenship and social investment, and stakeholder engagement. We also have set an operational target related to climate change – a 20 percent reduction in greenhouse gas emission intensity across all of Xylem by 2019.

### Procurement Practices

G4-  
EC9

## Local Suppliers

Xylem operations conduct the majority of their business with local suppliers to optimize the material flow and to reduce cost. Their "local spend" varies between 60 to 80 percent of the total supplier spend. Non-local suppliers are requested to provide local supply chain solutions – e.g., on-site support teams and local warehouse solutions – wherever necessary and applicable.

G4-  
EN3

## Energy Consumption

| <b>Direct Energy by Type</b> (Megawatt-Hours - MWh)    | <b>2014</b>    | <b>2015</b>    |
|--|----------------|----------------|
| Renewable Electricity Generated                        | 56             | 55             |
| Natural Gas Used                                       | 65,362         | 63,805         |
| Stationary Source Gaseous Propane                      | <1             | 2              |
| Stationary Source Liquid Propane                       | 1,669          | 1,792          |
| Stationary Source Fuel Oil                             | 1,970          | 2,192          |
| <b>Total Stationary Energy Usage</b>                   | <b>69,057</b>  | <b>67,846</b>  |
| Mobile Source Gasoline                                 | 16,494         | 18,476         |
| Mobile Source Diesel                                   | 74,935         | 69,944         |
| Mobile Source Liquid Propane                           | 28             | 28             |
| <b>Total Mobile Energy Usage</b>                       | <b>91,547</b>  | <b>88,448</b>  |
| <b>Total Direct Energy Usage (Stationary + Mobile)</b> | <b>160,514</b> | <b>156,294</b> |
| <b>Indirect Energy by Type</b> (Megawatt-Hours - MWh)  | <b>2014</b>    | <b>2015</b>    |
| Purchased Electricity                                  | 137,358        | 137,326        |
| Purchased Heat   | 1,250          | 1,246          |
| <b>Total Indirect Energy Usage</b>                     | <b>138,608</b> | <b>138,572</b> |
| <b>Total Energy Consumption</b> (Megawatt-Hours - MWh) | <b>2014</b>    | <b>2015</b>    |
| Consumption (Megawatt-Hours - MWh)                     | 299,122        | 294,866        |

In 2015, Xylem experienced a more than 2 percent decrease in direct energy consumption from the prior year. We define direct energy as the natural gas, diesel fuel oil, gasoline and renewable sources used in our facilities and/or by mobile vehicles to transport our products.

In 2015, consumption of indirect energy was basically flat. We define indirect energy as the electricity and heat purchased from energy companies that use various fossil, renewable and non-fossil energy sources to produce and provide these energy products. From 2014 to 2015, we increased our purchase of "green electricity" – produced at plants that use renewable, non-fossil energy sources – by 1.1 percent.

Combined, our total energy consumption for 2015 decreased by 1.4 percent. Restatements in the 2014 reported energy values – due to corrections of errors and misclassifications of direct and indirect energy consumption – yielded a 1 percent decrease in total 2014 energy usage from previously reported data.

G4-  
EN5

## Energy Intensity

| <b>Total Energy Intensity</b><br>(megawatt hours/annual revenues* in millions USD) | <b>2014</b>  | <b>2015</b>  |
|--|--------------|--------------|
| <b>Total Energy Intensity</b>  | <b>76.38</b> | <b>74.35</b> |

In 2015, Xylem saw a 2.7 percent decrease in our energy intensity. The intensity represents a normalized metric based on annual revenues to allow for a consistent year-over-year comparison that isn't impacted by acquisitions, divestitures, employee turnover, and similar factors. Our decrease from 2014 to 2015 is an indication that we are doing more in terms of operations and productivity with less energy..

G4-  
EN6

## Energy Consumption Reduction

To drive energy use reductions, we established a new sustainability goal to reduce greenhouse gas (GHG) emissions intensity by 20 percent by 2019 from 2014 baseline intensity levels. We understand that energy consumption is the largest contributor to GHG emissions, and by working to lower our GHG emissions intensity levels we will inspire and achieve reductions in energy use across our global sites. Efforts are already underway to achieve our goal. In 2015, many sites implemented energy-efficiency initiatives to reduce energy usage and others began to transition to renewable energy sources. Visit the G4-EN19 indicator in this Progress Report for further examples.

We will continue our work to decrease energy usage because the cheapest energy is the energy we don't have to procure. Importantly, reducing our energy usage conserves resources and combats climate change by avoiding related GHG emissions.

In mid-2015, after a year-long pilot program, Xylem rolled out its Eco-Efficiency Easy Tool for use at all of our sites globally. This web-enabled tool better enables sites to evaluate and select best practices for energy and water use reduction and waste minimization. By the end of 2015, eco-efficiency plans – including selected actions for implementation, responsible persons and completion dates – had been created at all our manufacturing and sales company sites and work on these plans is proceeding.

G4-  
EN7

## Reductions in Energy Requirements of Products and Services

Xylem continues to emphasize the design of pumps that deliver energy efficiency, as well as monitoring and control equipment and analytical instrumentation that help customers reduce their energy use. In 2015 our products and solutions were recognized by external parties for providing innovative energy-efficient solutions to solve water challenges.

| Environmental Impact of Products                            | 2014  | 2015  |
|---|-------|-------|
| Average Energy Efficiency (Flygt, Steady, Grindex brands)   | 61.3% | 61.6% |
| Vitality Index (new products introduced in past five years) | 20.1% | 18.3% |

One of our sustainability goals in this area is to improve the energy efficiency of Xylem product lines, since approximately 98 percent of the environmental impact from pumps and mixers is related to energy consumption in the usage phase. Currently, we measure Average Efficiency of Sold Products for product lines that makes up more than 40 percent of our annual revenues. In 2014, the average efficiency of these products was 61.3 percent, up 2 percent since 2009, and that increased again in 2015 by another 0.3 percent. Over the lifetime of these products, we estimate this 2.3 percent efficiency gain will avoid usage of more than 1,300 gigawatt hours of electricity, equivalent to the annual energy usage of nearly 82,000 U.S. homes. In response to the new strict 2015 European Ecodesign requirements, Xylem launched a next generation, global range of highly efficient in-line and end-suction pumps that exceed the requirements. The new Lowara e-series can provide up to 70 percent reduction in energy costs depending on the application.

A second sustainability goal in this area aims to increase our Vitality Index to 25 percent by 2020 to drive product innovation. As of the end of 2015, our Vitality Index was just over 18 percent. Improvements in the Vitality Index (percentage of sales from new products launched in the last five years) will indirectly encourage the development of more sustainable products, including improved versions of existing products as well as new products.

In 2015, we published [Powering the Wastewater Renaissance](#), an original research paper that outlined how the wastewater industry could cut energy consumption and reduce related harmful emissions with existing proven technologies, including Xylem products. The study concluded that nearly 50 percent of the electricity-related emissions from the global wastewater sector could be abated at a negative or neutral cost. This translates to a potential global volume of 44 million metric tons of CO<sub>2</sub> equivalent that could be abated annually.

Water

G4-  
EN8

## Water Withdrawal

| Total Water Withdrawal (megaliters)                             | 2014   | 2015   |
|---|--------|--------|
| Total Water Withdrawal  | 413.9  | 417.3  |
| Water Intensity (megaliters / annual revenues* in millions USD) | 2014   | 2015   |
| Water Intensity   | 0.1057 | 0.1052 |

In 2015, Xylem saw a slight increase in total water usage. We achieved a 0.4 percent decrease in water withdrawal intensity. One contributing factor to this lower-than-expected result is an increase in production; another is a water leakage at one of our U.S. manufacturing sites—an issue that was addressed. Clarifications to the definitions of included sources and uses of water led to a restatement of 2014 data, resulting in a 3 percent increase from previously reported data.

As part of our continuing process to reduce water use, Xylem is focused on the sites in water-stressed areas because it is in these areas that the need for conservation is most acute. We use the Global Water Tool, developed by the World Business Council for Sustainable Development (WBCSD), to help us determine which Xylem sites are operating in water-stressed or water-scarce areas. In 2015, we continued our work to identify sites that are operating in water-stressed areas and implemented our Eco-Efficiency Easy Tool (as discussed in G4-EN6) at several of our sites in water-stressed areas.

However, we are not focusing our water use reduction exclusively on the sites in these areas. The Eco-Efficiency Easy Tool has been implemented across all regions of the world.

G4-  
EN9

### Impact on Water Sources

At Xylem, we are working to ensure there are no water sources significantly affected by our withdrawal of water. The work in this area is still in the early stages, but we are moving ahead on a number of fronts.

As described in G4-EN8, we are using the Global Water Tool developed by the WBCSD to help us determine which Xylem sites are operating in water-stressed or water-scarce areas. In 2013, we expanded our use of the tool to include 100 percent of our sites, excluding locations with less than three employees. In addition, we started the development of a water footprint calculation tool for critical suppliers, and included suppliers located in water-stressed basins in our pilot sustainability audit program started in 2015 and continuing in 2016.

G4-  
EN10

### Recycled and Reused Water

| Total Volume of Water Recycled and Reused (megaliters)   | 2014  | 2015  |
|--|-------|-------|
|  | 8.8   | 9.3   |
| Percentage of Water Recycled and Reused (total water recycled and reused / total water withdrawal) | 2014  | 2015  |
|  | 2.12% | 2.24% |

In 2014, Xylem recorded a more than 6 percent increase in the total amount of water we recycle or reuse. Part of this increase can be attributed to an increase in the water recycled and reused at our manufacturing site in Nanjing, China. The site has started using recycled water for landscaping and sanitation, allowing the facility to reduce its water withdrawal by 25 percent in 2015. The Eco-Efficiency Easy Tool (as discussed in G4-EN6) is being used at Xylem sites to identify and implement potential areas for the reuse and recycling of water.

Emissions

Clarifications to the definitions of included sources and uses of water led to a restatement of 2014 data, resulting in a 2 percent decrease from previously reported data.

G4-  
EN15

### Direct Greenhouse Gas Emissions (Scope 1)

| <b>Direct Greenhouse Gas (GHG) Emissions by Type (metric tons CO<sub>2</sub> equivalent)</b> | <b>2014</b>   | <b>2015</b>   |
|--|---------------|---------------|
| Natural Gas Used   | 11,848        | 11,608        |
| Stationary Source Gaseous Propane  | <1            | <1            |
| Stationary Source Liquid Propane   | 349           | 375           |
| Stationary Source Fuel Oil   | 496           | 552           |
| Cryogenic CO <sub>2</sub>  | 2             | 2             |
| Refrigerant Use  | 439           | 392           |
| <b>Total Stationary GHG Emission</b>   | <b>13,135</b> | <b>12,930</b> |
| Mobile Source Gasoline   | 4,329         | 4,851         |
| Mobile Source Diesel   | 20,157        | 18,815        |
| Mobile Source Liquid Propane   | 713           | 709           |
| <b>Total Mobile GHG Emissions</b>  | <b>25,199</b> | <b>24,375</b> |
| <b>Total Direct GHG Emissions</b>  | <b>38,334</b> | <b>37,304</b> |

In 2015, Xylem achieved a nearly 3 percent decrease in direct greenhouse gas (GHG) emissions, also referred to as Scope 1 emissions. Following U.S. Environmental Protection Agency guidelines and consistent with the Greenhouse Gas Protocol – the most widely used international accounting tool for greenhouse gas emissions – we define direct GHG emissions as those that come from sources owned or controlled by Xylem.

Restatements in the 2014 reported energy values as noted in Indicator G4-EN3 resulted in a 2 percent decrease in GHG emissions from previously reported data.

G4-  
EN16

### Indirect Greenhouse Gas Emissions (Scope 2)

| <b>Indirect Greenhouse Gas (GHG) Emissions by Type (metric tons CO<sub>2</sub> equivalent)</b> | <b>2014</b>   | <b>2015</b>   |
|--|---------------|---------------|
| Purchased Electricity  | 39,939        | 39,579        |
| Purchased Heat   | 880           | 861           |
| <b>Total Indirect GHG Emissions</b>  | <b>40,819</b> | <b>40,440</b> |

In 2015, Xylem achieved a 0.9 percent decrease in indirect greenhouse gas (GHG) emissions, also referred to as Scope 2 emissions. Following U.S. Environmental Protection Agency guidelines and consistent with the Greenhouse Gas Protocol—the most widely used international accounting tool for greenhouse gas emissions—we define indirect emissions as those resulting from the offsite generation of electricity, heating and cooling, or steam by third-party providers and purchased by Xylem.

Updated GHG emission factors for electricity resulted in a 5 percent decrease in reported 2014 GHG emissions from previously reported data.

G4-  
EN17

## Other Indirect Greenhouse Gas Emissions (Scope 3)

In addition to operations, we have begun to look at GHG emissions generated from business travel. In 2015, we calculated our total employee business travel GHG emissions from air and rental vehicles, including cars and light-duty trucks, to be 7,734 metric tons CO<sub>2</sub>e. This is a 59 percent increase from 2014. Part of this increase can be attributed to our use in 2014 of the Simplified GHG Emissions Calculator available from the U.S. Environmental Protection Agency to arrive at a rough estimate of our Scope 3 emissions. In 2015, the Xylem Travel Department tracked the GHG emissions directly, giving us a more accurate metric.

As a leading global water technology company with operations in more than 150 countries, we see business travel as a necessary component of our work, but we are committed to investing in innovative technologies and creative approaches to minimize the need for air travel. We will continue to seek to identify environmental impacts from our value chain and find ways to reduce them. As an example, in 2015, Xylem launched a cross-functional corporate-wide project, led by Procurement, designed to consolidate and standardize improvement projects across the Xylem enterprise. As part of the project, we will update travel policies to include sustainability practices; increase employee awareness and training of the environmental impact of business travel, and create a CO<sub>2</sub> display for users of our online corporate travel reservations program so they see the GHG impact of their trip before they finalize their trip.

G4-  
EN18

## Greenhouse Gas Emissions Intensity

| <b>Total Greenhouse Gas (GHG) Emissions Intensity (metric tons CO<sub>2</sub> equivalent/annual revenues* in millions USD)</b> | <b>2014</b> | <b>2015</b> |
|--|-------------|-------------|
| Scope 1 and 2 Emissions Intensity  | 20.21       | 19.60       |
| Scope 1 and 2 Emissions Intensity, net of renewable energy and renewable energy  | 19.73       | 19.12       |

In 2015, Xylem achieved a 3.0 percent decrease in total GHG emissions intensity (Scope 1 and 2). Intensity represents a normalized metric based on annual revenues to allow for a consistent year-over-year comparison that isn't impacted by acquisitions, divestitures, employee turnover, and the like. Restatements in the 2014 reported energy values as noted in indicator G4-EN3—and updated GHG emission factors—resulted in a more than 5 percent decrease in GHG emissions intensity from previously reported data.

In 2015, we established a sustainability goal to reduce our Scope 1 and 2 GHG emissions intensity by 20 percent by 2019 compared to our 2014 baseline.

G4-  
EN19

## Reduction of Greenhouse Gas Emissions

We track the total of direct and indirect GHG emissions as part of our efforts to reduce our overall carbon intensity and lessen our contributions to climate change. As part of Xylem’s effort, we made a strategic commitment to reduce our direct and indirect GHG emissions intensity by 20 percent by 2019 as compared to our 2014 baseline. From 2014 to 2015, our GHG intensity (net of renewable energies) declined by 3.2 percent, which we see an indication that our efforts, including our Eco-Efficiency Easy Tool (as discussed in G4-EN6), are moving us in the direction needed to achieve our five-year goals. We are confident that we will continue to see reductions in GHG emissions driven by the innovative thinking we are seeing at the site level.

In addition, we track our procurement of certified green electricity and the renewable electricity generated on our sites, mostly through solar panels.

| Renewable Energy (metric tons CO <sub>2</sub> equivalent) | 2014  | 2015  |
|---|-------|-------|
| Purchased Renewable Energy Credits                        | 1,871 | 1,892 |
| Renewable Electricity Generated                           | 10    | 10    |

In 2015, Xylem facilities in Dordrecht Netherlands; Yellow Springs, Ohio, as well as all Xylem facilities in Sweden (Emmaboda, Sundbyberg and the 12 service workshops) procured renewable energy credits of more than 52,743 megawatt hours. In addition, our sites generated an additional 55 megawatt hours (MWh) of renewable energy. Estimated GHG emissions avoided through these energy credit purchases and renewable electricity generation initiatives equate to 1,902 metric tons CO<sub>2</sub>e, a 1.1 percent increase over the GHG emissions avoided in 2014 through these practices.

G4-  
EN20

## Emissions of Ozone-Depleting Substances

Xylem does not use significant amounts of ozone-depleting substances, and for that reason we do not track their use. We adhere to the Montreal Protocol, administered by the United Nations Environment Programme (UNEP), which maintains the list of ozone-depleting substances that are targeted for reductions and total phase-outs.

G4-  
EN21

## NO<sub>x</sub>, SO<sub>x</sub> and Other Significant Air Emissions

| Volatile Organic Compounds (VOC) Emissions (metric tons) | 2014 | 2015 |
|--|------|------|
| Purchased Renewable Energy Credits                       | 110  | 116  |

In 2015, Xylem saw a more than 5 percent increase in emissions of volatile organic compounds (VOCs). These compounds increase ozone and smog levels and have been shown to cause public health issues.

Xylem maintains a policy on “Air Emissions Management” that states our requirement to reduce air emissions. For the past few years we have focused on moving away from using VOCs in our operations and moving to water-based systems where possible. Where that is not possible, we

are generally destroying VOCs or using materials with the lowest VOC content. For example, our largest production facility, located in Emmaboda, Sweden, made investments in new systems to burn VOCs and reuse heat from its painting process.

We began tracking these emissions in 2014, and while we saw an increase in 2015, we believe that we have the right mechanisms and increased efforts in place to reduce VOC emissions

Effluents and Waste

G4-  
EN22

### Total Water Discharge

| Wastewater Treated and Released (megaliters) | 2014 | 2015 |
|--|------|------|
|  | 64.6 | 56.3 |

In 2015, we experienced a nearly 13 percent decrease in the amount of wastewater we treated and released back into the environment. This is partly due to the reduction of water consumption in processes requiring the water to be treated before discharge and the implementation of a dry cooler at a large manufacturing site in Montecchio, Italy.

At Xylem, we recognize the risk caused by neglecting wastewater management as detailed in the “Wastewater Management” report from UN-Water. Continued neglect will not only lead to damaged ecosystems and dire biodiversity consequences, but also increasing threats to human health, economic activity and water security. With only 20 percent of global wastewater currently being treated, low-income countries are being the hardest hit by contaminated water supplies and disease.

All Xylem sites meet or exceed national, local and Xylem requirements for the return of clean and safe wastewater back into the public water streams. To meet these standards, a number of our manufacturing sites have installed onsite wastewater treatment systems.

Clarification to the definition of wastewater treated and released led to a restatement of 2014 data resulting in a 19 percent decrease from previously reported data.

G4-  
EN23

### Waste by Type and Disposal Method

| Waste by Type and Disposal Method   | 2014          | 2015          |
|-------------------------------------|---------------|---------------|
| Non-Hazardous Waste Recycled        | 21,852        | 28,198        |
| Non-Hazardous Waste to Non-landfill | 2,640         | 1,744         |
| Non-Hazardous Waste to Landfill     | 4,903         | 3,010         |
| <b>Total Non-Hazardous Waste</b>    | <b>29,395</b> | <b>32,952</b> |
| Hazardous Waste Recycled            | 153           | 216           |
| Hazardous Waste to Non-landfill     | 471           | 649           |
| Hazardous Waste to Landfill         | 101           | 79            |
| <b>Total Hazardous Waste</b>        | <b>725</b>    | <b>945</b>    |

|                                    |               |               |
|------------------------------------|---------------|---------------|
| <b>Total Waste Recycled</b>        | <b>22,005</b> | <b>28,414</b> |
| <b>Total Waste to Non-Landfill</b> | <b>3,111</b>  | <b>2,394</b>  |
| <b>Total Waste to Landfill</b>     | <b>5,004</b>  | <b>3,089</b>  |
| <b>Total Waste</b>                 | <b>30,120</b> | <b>33,897</b> |

In 2015, Xylem reduced the waste we send to landfills by more than 38 percent. This exceeds the sustainability goal we established in 2015 to reduce waste to landfill by 20 percent compared to our 2014 baseline (the actual goal is a 20 percent reduction of the percentage of waste to landfill per dollar of revenue, which was exceeded with a 46 percent reduction)

One of the key reasons we are sending less waste to landfills is because of our increase in recycling efforts. In 2015, Xylem recorded a 29 percent increase in the amount of total waste recycled, driven by an increase in both non-hazardous and hazardous components of waste. While we generated more waste at Xylem in 2015, nearly 84 percent of it was recycled, an increase of more than 14 percent from 2014.

Going forward, we aim to reduce the amount of waste we generate at Xylem through Lean Six Sigma initiatives and other practices that eliminate scrap and waste from our processes and operations. When we do need to dispose of waste, we want to direct more of it toward recycling and reuse, and less of it to landfills and non-landfill disposal sites, such as incinerators that burn waste for energy.

The Eco-Efficiency Easy Tool (as discussed in G4-EN6) also helps facilities track and determine methods to reduce waste.

Due to clarifications made to the definition of hazardous waste, some 2014 non-hazardous waste was appropriately reassigned to non-hazardous. This led to a 12 percent decrease in hazardous waste and a 2 percent decrease in total waste for the 2014 data included in this report, as compared to the previously reported data.

**G4-  
EN24**

## Total Number and Volume of Significant Spills

| <b>Spills and Releases</b>      | <b>2014</b> | <b>2015</b> |
|---------------------------------|-------------|-------------|
| Reportable Releases (incidents) | 1           | 3           |
| Amount Released (pounds)        | 70          | 2805        |

In 2015, we experienced two minor spills from rental Xylem products on a customer site, both of which were reported to state authorities. A third spill occurred at one of our facilities and was also reported to the local authorities.

Xylem investigates all significant incidents occurring at our sites and completes root cause analysis to identify and prevent recurrence of the causes of the incidents. In addition, all incidents are discussed during training sessions to provide EHS coordinators throughout Xylem with additional prevention and response education.

One of our sustainability goals introduced in 2015 is to achieve 100 percent compliance at all our sites; see G4-EN29 for more details.

Compliance

G4-  
EN29

## Environmental Fines

| Total Amount of Non-Compliance Environmental Fines (USD) | 2014  | 2015  |
|--|-------|-------|
| Environmental Fines                                      | \$412 | \$796 |

In 2015, Xylem incurred one environmental fine totaling \$796 for non-compliance with a hazardous waste regulation in China. As part of our sustainability goals, we committed to a sustainability goal to achieve zero regulatory compliance notices of violation at manufacturing and service sites. This goal enables us to meet our compliance obligation, while also minimizing any reputational or financial risk associated with permit violations at our sites.

\* Energy, water and emissions intensity metrics calculated using revenues adjusted for constant currency.

LABOR PRACTICES  
AND DECENT WORK

G4-  
LA6

## Injury Frequency and Severity Rates

| Definition   | 2014 | 2015 |
|--|------|------|
| Injury Frequency (medical + lost workday cases x 200,000 / number of hours worked) | 1.51 | 1.2  |
| Injury Severity (lost workdays x 200,000 / number of hours worked)                 | 22.8 | 18.7 |

Our online Metrics for the Environment, Safety and Health (MESH) system enables us to collect, consolidate and analyze our performance data on a monthly basis. The key safety indicators we track are injury frequency and injury severity. From 2014 to 2015, the injury frequency rate decreased by 21 percent, and the injury severity rate decreased by 18 percent.

As part of our sustainability goals, Xylem aims to reduce our injury frequency rate to 0.5 and our injury severity rate to 6.0 by 2017. Although we are setting goals, Xylem's safety philosophy remains "Accept Only Zero."

When a recordable injury does occur, it is investigated and the causes of the injuries are determined through the use of root cause analysis. Then we utilize Six Sigma tools to determine which parts of the organization are experiencing increased injury rates, which activities are being conducted when injuries occur, and additional useful information. We also provide additional support to sites with increased injury rates.

In early 2015, we announced three safety focus areas: the "Get Well" program to target risk reduction; the CEO Safety Excellence Awards to promote leadership commitment; and significant injuries and near-miss reporting to the CEO to establish accountability. In addition, we recommitted to our "Accept Only Zero" safety program through enhanced messaging that emphasizes all injuries are preventable and unacceptable.

**Training and  
Education**

G4-  
LA9

## Employee Training

One of Xylem’s strategic objectives is to advance a high-performance organization, and training is an essential element in this effort.

In 2015, we provided more than 25,000 hours of instructor-led and web-based training to employees. This includes training in the areas of safety, our Code of Conduct, Continuous Improvement which includes Lean and Six Sigma curriculum, career and leadership development.

In addition, each Growth Center, Commercial Team and functional area provides relevant and unique training designed to improve performance and leadership capabilities. We also offer specialized early-in-career training programs, including international assignments where high-potential professionals build key foundational skills that will allow Xylem to build a bench of leadership for years to come.

G4-  
LA10

## Skills Management Training and Lifelong Learning

At Xylem, we offer tuition reimbursement to employees who are pursuing additional education to further their careers.

Around the world, we are providing our people with additional educational opportunities. In Europe, we have “functional academies” that offer classes that provide skill-building lessons in the areas of sales, engineering, manufacturing and finance. In the U.S., we recently completed a skill-building curriculum for front-line managers and supervisors, and in China, we have begun building a Leadership Institute that will provide employees with foundational skills to lead effectively.

HUMAN RIGHTS

**Investment**

G4-  
HR2

## Human Rights Training

While Xylem doesn’t conduct dedicated human rights training for employees, more than 90 percent of eligible Xylem employees received online or in-person Code of Conduct training in 2015. The Code unequivocally states that all Xylem employees and businesses will conduct business in a manner that respects and advances human rights “at all times and in all locations, regardless of local business customs.”

This includes prohibiting human trafficking and the use of child, forced or compulsory labor, treating each other fairly and equitably, and providing safe and secure conditions for those working on our company’s behalf.

**Non-  
Discrimination**

G4-  
HR3

## Human Rights Incidents and Corrective Actions

Xylem endeavors to create a corporate culture where employees are expected to report misconduct, where employees are provided myriad ways to report that misconduct and where retaliation for reporting misconduct is not tolerated. The mechanisms for reporting concerns about unethical or unlawful behavior – and matters related to human rights incidents – include a newly launched “Reporting Concerns” policy (i) encouraging employees to report violations of our Code of Conduct through various company-provided reporting channels, including line management, local ombudspersons, human resources and an anonymous external hotline; and

(ii) prohibiting retaliation against any employee who chooses to report any misconduct in good faith. In addition, Xylem maintains a Supplier Code of Conduct and Supplier Ombuds Program to provide our suppliers with a confidential avenue for raising ethics and compliance related concerns. All credible reported complaints are investigated, which engenders employee trust in the process.

**Freedom of Association**

G4-HR4

**Freedom of Association and Collective Bargaining**

As a company, Xylem does not restrict our employees’ right to exercise freedom of association and collective bargaining. Throughout our company, we have many employees who are members of unions or work councils.

**Child Labor**

G4-HR5

**Child Labor**

Xylem strictly prohibits the use of child labor at any of our operations around the world.

**Forced or Compulsory Labor**

G4-HR6

**Forced or Compulsory Labor**

Xylem strictly prohibits the use of forced or compulsory labor, including prison or bonded labor, at any of our operations around the world.

**Indigenous Rights**

G4-HR8

**Indigenous Rights**

Since Xylem’s inception in 2011, we have not had an incident or violation involving the rights of indigenous people.

SOCIETY

**Local Communities**

G4-SO1

**Local Community Engagement**

At Xylem, our goal is to operate in harmony with the communities where our employees work and live. We view our company not simply as an employer, but as a community citizen and neighbor. We connect to the communities in a number of ways, including sponsorships, volunteer programs and donations of time and resources to meet community needs.

Through Xylem Watermark, our corporate citizenship and social investment program, we bring clean water, sanitation and hygiene (WASH) education to schools and communities in developing markets where water supplies are scarce. We support leading international nonprofit partners who are bringing sustainable solutions through community-based and emergency response projects, and protecting water resources through disaster risk reduction efforts in communities around the world. In 2015, Xylem sponsored WASH projects carried out by our nonprofit partners that benefited more than 150,000 children, families and earthquake survivors in nine countries around the world.

Working with our nonprofit partners, employees built clean water towers and storage tanks at schools in seven different countries, spent a week in India to assess pressing water needs in various regions, provided WASH education to students in China, made contributions to the Xylem Watermark fund that helped rehabilitate community water systems after earthquakes devastated Nepal in April 2015.

Through the sustainability goals established in 2015, we aim to increase the impact of Xylem Watermark via increased investments with our nonprofit partners in projects that reach and impact schools and communities, and through an expansion of these projects to new growth markets for Xylem such as China, India, Southeast Asia, Latin America and the Middle East. In addition, we set a goal to increase year-over-year employee contributions to our nonprofit partners.

We also set a new sustainability goal to increase employee involvement in Xylem Watermark activities by 15 percent year over year. By first targeting our senior leadership team and extended leadership group to participate in a Xylem Watermark employee engagement activity, our leaders will “walk the talk” and set an example for all employees. Through this and other efforts, we expect to significantly increase employee engagement and inspire more active participation at all levels in Xylem Watermark projects. Click here to read more about our [Xylem Watermark efforts in 2015](#).

## Anti-Corruption

G4-SO3

### Corruption Risk Assessments

Xylem conducts an annual risk assessment on all Growth Centers and regions, which includes risks related to bribery and corruption. This risk assessment is monitored and updated regularly.

G4-SO4

### Anti-Corruption Training

Xylem utilizes a number of different resources in an effort to educate and train our employees on applicable anti-corruption laws and regulations. The basis of our program is our Anti-Corruption Policy, Gifts, Hospitality & Travel Policy and Anti-Corruption Manual, which are available in 19 languages, and our Code of Conduct, which is available in 25 languages. These resources are available on our company’s intranet portal.

In addition, we supplement our policies and manuals with both on-line and live trainings. On a bi-annual basis, we strive to provide 100 percent of our employees with training in our Code of Conduct, which includes an overview of our anti-corruption policies and procedures. In 2014-2015, more than 90 percent of eligible employees took part in online or in-person Code training.

In addition, designated employees around the world who are involved in Finance, Legal, Compliance and Sales and Marketing are provided with additional, in-depth anti-corruption training either in person or via webex. In 2015, Xylem placed a special emphasis on training its employees on Xylem’s newly enhanced third party due diligence program which seeks to ascertain and evaluate the corruption risk from working with third parties.

G4-SO5

### Anti-Corruption Actions

Xylem maintains two policies which dovetail to increase the likelihood that corruption issues (i) surface to management and (ii) are investigated as appropriate. Recently, Xylem issued a “Reporting Concerns” Policy which encourages employees to report any misconduct, including conduct violating our anti-corruption-related policies. Xylem also maintains an Ethics and Compliance Issue Resolution Policy which requires the prompt and thorough investigation of all allegations of corruption. In addition, Xylem also maintains a robust third party due diligence program which involves the vetting of third parties to help identify and mitigate corruption risk.

## SOCIETY

### Anti-Competitive Behavior

G4-SO7

#### Anti-Trust Incidents

In 2015, Xylem addressed one anti-trust incident that surfaced in late 2014. Information about the incident and the corrective actions taken by our company in 2015 are outlined on pages 88-89 of our [2015 Form 10-K](#).

### Compliance

G4-SO8

#### Non-Compliance Fines

In 2015, Xylem paid one significant non-compliance fine that is outlined on pages 88-89 of our 2015 Form 10-K. In addition, we incurred several minor fines for environmental violations (see G4-EN29).

## PRODUCT RESPONSIBILITY

G4-PR1

#### Product Health and Safety Impact

At Xylem, we conduct safety risk assessments on all new products and changed products where the design revisions have a possible impact on safety. The assessments consider safety during all stages of the product life cycle – manufacturing, delivery, usage, maintenance and disposal. The assessment process occurs early in the product design or redesign process to allow all possible hazards to be addressed and eliminated. We use product and service manuals to warn users about any remaining potential hazards.

A product safety handbook outlines the processes and policies all of our businesses should follow with regard to safety. The handbook is maintained and enforced by our global Product Safety Steering Committee.

In addition, we have a review step in the design process to assess the environmental impact of all new products developed at Xylem. Currently, for a percentage of our products, we conduct full-scale life cycle assessments (LCAs) that measure the environmental impact associated with all stages of a product's life from cradle to grave. Based on these assessments, we produce Environmental Product Declarations (EPDs) that provide customers with standardized, comparable data to use in making choices supporting their own sustainability goals.

Today, we support our customers with LCAs and EPDs for products and solutions that comprise about 25 percent of our total portfolio, based on revenues.

### Product and Service Labeling

G4-PR3

#### Product Labeling

An Installation, Operation and Maintenance Manual is enclosed with every Xylem product. It contains information about safe use of the product and general information about the disposal of the product, including recycling guidelines.

Environmental Product Declarations (EPDs) are available for major products within our Transport Growth Center. An EPD is a verified document – based on life cycle assessments and prepared in accordance with the international standard ISO 14025 – that provides environmental data about the product, including content declaration.

G4-  
PR5

## Customer Satisfaction Measurement

In 2015, Xylem collected more than 4,500 individual responses from customers about their satisfaction with Xylem and how we can improve our performance and products going forward. These customers are located in all parts of the world where Xylem does business and they purchased products from across our wide portfolio.

We categorize this customer input in two ways: transactional-based feedback and relationship-based feedback.

Transactional feedback is collected at digital “touch points” where a customer interacts with Xylem—for example, going online to request product or service information. This type of feedback allows us to address customer concerns immediately—using fully automated processes to act on the feedback in real time.

Relationship-based feedback is collected proactively on a quarterly basis to evaluate what our customers experience throughout their experience with our company.

We also began using the Net Promoter Score (NPS) tool to measure customer satisfaction. The NPS method asks customers to apply a 0-10 rating to a single question—How likely are you to recommend our products/services to your friends and colleagues?—and tallies the number of company Promoters (9-10), Passives (7-8) and Detractors (0-6). After subtracting Detractors from Promoters, customer satisfaction is determined by measuring the net percentage of Promoters.

For manufacturing firms like Xylem, the average NPS score is 55. In 2015, our transactional NPS scores ranged between 55-65 percent and our relationship NPS scores ranged between 60-80 percent—with different scores in different parts of the world. This past year will serve as a benchmark for us, allowing us to compare NPS scores year-over-year to measure progress and determine where we need to focus our energy in driving improvements.

### Customer Privacy

G4-  
PR8

## Customer Privacy

In 2015, Xylem had no complaints regarding the breach of customer privacy or loss of customer data.

### Compliance

G4-  
PR9

## Product and Service Non-Compliance

In April 2015, we filed a self-disclosure report to the U.S. Environmental Protection Agency (EPA) about possible non-compliance with the EPA’s Tier 4 regulatory requirements applicable to equipment manufacturers using diesel engines in mobile equipment. As of April 2016, we are still in discussion with the EPA regarding the self-disclosure.



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