



— 2014 SUSTAINABILITY REPORT —

A DROP IS EVERYTHING

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About This Report

The Xylem 2014 Sustainability Report includes:

- Stories and links to stories that highlight our 2014 sustainability improvements and achievements
- A message about sustainability from our President and CEO Patrick Decker
- An overview of our sustainability strategy and goals
- A discussion about how we determine material sustainability issues for our company and our stakeholders
- A GRI Progress Report, called “Progress against G3 Reporting Guidelines,” that adheres to the international standards for sustainability reporting

The GRI Progress Report provides a detailed, indicator-by-indicator look at how Xylem performed in 2014 against the reporting criteria set out in the Global Reporting Initiative (GRI) G3 guidelines. In this GRI Progress Report, we provide direct and separate answers to every G3-requested indicator, as well as year-over-year metrics where available to show our progress over time.

We have used the GRI standard for the past two years to provide readers with easy access to specific information and to provide more transparency about our company and operations. While our feature stories focus on some of the work that we are most proud of, we strive to share our opportunities for improvement as well. In our GRI Progress Report, you will find an open, candid company self-assessment.

The indicator box numbers in the GRI Progress Report align with the G3 indicators. Square boxes represent G3 standard disclosures, and hexagonal boxes represent G3 performance indicators.



“At Xylem, sustainability applies to what we do – and how we do it.”

– PATRICK DECKER



1.1

Water is vitally connected to the world’s critical resources, including energy, labor, capital and food. It is essential to life on our planet and to the health of our global economy. The fact that demand for fresh water continues to rise in a period of uncertain—and in some cases declining—supply is one of the most challenging and important issues facing our planet.

With increasing urgency, Xylem stakeholders, including customers, communities and governments, are looking for ways to save water, reduce pollution, protect themselves from water-related risks, and find smarter ways to use water to grow food, generate power, produce goods and improve the quality of life. As one of the world’s leading water technology companies, Xylem is committed to “solving water”—which is a pre-condition for advancing sustainability in all its forms.

From water intake to return, Xylem helps to address the present-day needs of our stakeholders without compromising the ability of future generations to meet their own needs.

We focus on solving water challenges in three key areas: water productivity, water quality and resilience.

Our water productivity solutions enable more efficient movement, treatment and use of clean water. Studies show that globally, managing water consumes about 8 percent of global power production, and energy consumption represents a substantial portion of a pump’s lifetime costs. We can lower customers’ operating costs and avoid energy-related CO₂ emissions with our highly efficient pumps and systems, as well as sensors for locating leaks and process inefficiencies. For example, our new Bell & Gossett ecocirc® circulator pump, which helps to heat and cool buildings, can help reduce energy consumption by up to 80 percent versus standard pumps.

Xylem's water quality solutions provide customers with cost-efficient and sustainable ways to manage and renew wastewater. A growing population is placing greater stress on fresh water resources. In one of the world's most prolific technology hubs—Silicon Valley, California—persistent drought conditions led the Santa Clara Valley Water District to set an ambitious goal to double recycled water use in the District from 5 percent to 10 percent by 2025. To get there, the District recently built a state-of-the-art advanced water purification center that uses innovative technology—including our Wedeco LBX Series ultraviolet (UV) disinfection system—to produce highly purified water for industrial, landscaping and irrigation use. Our technology, which uses energy-efficient lamps and produces no harmful chemical byproducts, is a critical component of a solution that will free up drinking water resources, reduce dependency on imported water and establish a sustainable water supply for the region.

Finally, our water resilience solutions help customers to prepare for and recover from water-related risks, such as floods, droughts and contamination. As extreme weather events increase, there is growing demand for our dewatering and flood-monitoring technologies. Following devastating floods in the Balkans in May 2014, Serbian and Bosnian authorities employed our Flygt and Lowara brand drainage pumps to remove water from the hardest-hit areas. Capable of handling high volumes and withstanding the toughest operating conditions, our pumps helped redirect the floodwaters more quickly so displaced residents could return home. In the United States, Xylem's Oxelia ozone-enhanced biologically active filtration technology is central to the Advanced Water Purification Facility in San Diego, where water reuse technologies are being optimized to potentially replace imported potable water sources.

While we are helping stakeholders and customers become more sustainable, we're doing the same for our company. Our internal efforts extend beyond water into every aspect of sustainability.

We have committed to support the 10 principles of the UN Global Compact, which pertain to human rights, labor, the environment and anti-corruption. In addition, we are a member of Ceres, a non-profit organization that advocated for sustainability leaders, and the Manufacturers Association for Productivity and Innovation Sustainability Council, a networking organization that enables members to share best practices on such sustainability issues as metrics, reporting, product design and energy management.

We are committed to a sustainability strategic framework to ensure our sustainability actions support our overarching business strategy. The framework encompasses four key areas—our product offerings, our operations, external engagement, and organization and culture—and allows us to effectively and seamlessly integrate sustainability into our core business operations.

For each area of the framework, we established ambitious long-term goals. By 2019, we are committed to reducing our water use by 25 percent, greenhouse gas emission intensity by 20 percent, and waste to landfill by 20 percent. Annually, we aim to increase our vitality index—or percentage of sales from new and increasingly energy-efficient products—by 2 percent, and we will bolster the impact of our Xylem Watermark corporate citizenship through increased involvement by senior leaders and employees. [See all our goals.](#)

As this year's Sustainability Report shows, we are making good progress in some areas. In 2014, we reduced our waste to landfills by 44 percent, decreased water usage by 5 percent, improved our workplace safety metrics, provided more than 25,000 hours of training to employees, brought clean and safe water to thousands more people through Xylem Watermark and conducted safety risk assessments on all new products and changed products.

Sustainability is the only way forward for us. It applies to what we do and how we do it. We believe that being a global leader in the water industry and a champion for sustainability are inextricably linked. I'm proud of our continued progress in offering sustainable solutions that meet our stakeholders' needs. I am confident that we will make even greater strides in the future as we will grow our business and solidify our position as a responsible citizen of the global community.



Patrick Decker
President and Chief Executive Officer
Xylem Inc.



A Drop is Everything:

SUSTAINABILITY AT XYLEM

Welcome to the 2014 Xylem Sustainability Report. The title of this report, *A Drop is Everything*, reflects the essential place of water in the world and our role in finding better ways to “solve water” by improving water productivity, water quality and resilience to water-related challenges for our customers.

It also reflects our belief that big changes start with small actions. The sustainability “drops” highlighted in this report—both big and small—will continue to expand and become part of a shared sustainability culture at Xylem. This is the essence of the ripple effect: one person, one project and one day at a time, we can make a substantial difference and create a more sustainable company—and a more sustainable world.



Lake Como, Italy

Treating 16 Million Cubic Meters of Water With 65 Percent Less Energy

Pumping systems account for between 10 and 20 percent of the world's electrical energy demand, and up to 50 percent of the energy use in certain industrial plant operations. Pump optimization—making pumps more energy-efficient—represents one of the biggest energy saving opportunities today and one of the fastest ways to reduce CO₂ emissions that lead to global warming. But before businesses will make investments in more efficient pumps, they need to understand the cost and benefits.

2014: Other Ways Xylem is Solving Water with Less Energy

- Our Bell & Gossett e-1510 pumps provide the highest overall efficiency for HVAC and plumbing applications. [Link](#)
- Our new Flygt SmartRun intelligent pump controller intuitively finds the most energy-efficient pump speed for a specific application. [Link](#)

At Xylem, we're making the business case to our customers that we deliver products that solve their water issues while maintaining the highest energy-efficiency standard and, in the process, reducing annual operating costs. One good example is the Comopedur wastewater treatment plant located in the Lake Como region of northern Italy, which treats 16 million cubic meters of wastewater annually and serves a population of nearly 200,000. When the large operation began looking for ways to reduce operating costs, we helped them identify their mixers—which keep the wastewater in the tanks in constant motion—as a key focus area.

The plant replaced its existing mixers with our mid-size, energy-efficient Flygt 4530 mixers. With their innovative double-curvature propeller design and proven drive units, the Flygt 4530 mixers are able to move significant amounts of wastewater with a relatively low number of revolutions per minute. In 2014, Comopedur did a comparison study of the old and new mixers and found that the new Xylem mixers reduced energy consumption by 65 percent. The energy savings enabled the plant to pay for the costs of the new mixers in just 13 months.



A wastewater plant operator in Weilheim, Germany, configures the setting on our P 700 IQ Orthophosphate Analyzer.

Keeping Phosphorus Out of Fresh Water Streams

Our lakes, rivers, streams and ponds need phosphorus in low concentrations to sustain life. But even a slight increase in this acid can have devastating impacts, accelerating the aging of fresh water systems and posing a health risk to aquatic life and drinking water resources. When wastewater flows into a treatment facility, it often contains high levels of phosphorus, due primarily to the use of synthetic detergents for washing. When it leaves the treatment facility, those levels must be much lower to meet governmental regulations and to ensure the health of the fresh water supplies and the surrounding ecosystems, aquatic life and human life.

Xylem offers a number of treatment systems that enable wastewater customers to meet –and exceed–the regulatory standards for discharges, and one of our newest analytics technologies targets phosphorus. With our P 700 IQ Orthophosphate Analyzer, wastewater companies have a tool that constantly measures phosphate levels at every stage of the treatment cycle to alert plant operators of increasing phosphate levels.

To provide greater flexibility and encourage increased usage, the analyzer was designed by our Analytics business as both a standalone tool and one that can be easily networked with other sensors. For its design and performance, the product was selected by Processing magazine as a “Breakthrough Product of the Year.”

2014: Other Ways Xylem is Keeping Our Water Supplies Safe

- Spain’s largest bio-filtration plant is using our Wedeco Duron ultraviolet system to treat water with no residuals or toxic byproducts.
[Video Link](#)
- Europe’s largest wastewater plant is installing our Flygt N-pumps and monitoring and control technology to meet the requirements of the European Water Directives, which set objectives for future water protection in Europe.
[Link](#)



Water Reuse Solutions for a Water-Starved State

California continues to experience catastrophic water shortages. The state's main reservoirs are at half capacity and diminishing by the week. Snow levels in the mountains—and the resulting snowmelt that provides water—have dwindled to 3 percent of the seasonal average. This year the state instituted its first-ever mandatory water restrictions, and the Association of California Water Agencies has issued strategies “to create a more resilient water management system.”

2014: Other Ways Xylem is Reducing Water Risks

- The largest ozone wastewater treatment plant in the Middle East is installing our Wedeco ozone systems to generate reused water for irrigation. [Video Link](#)
- Xylem products were used in an emergency water bypass system in a Canadian town after a train crash contaminated surrounding water supplies. [Link](#)
- Our technology is providing Sabesp, Brazil's largest water utility, with a drinking water ultrafiltration membrane system to help increase the availability of water in the drought-stricken São Paulo region. The plant delivers 1,800 cubic meters of high quality water per hour, serving 150,000 people.

One of the association's short-term strategies is the development of new technologies for recycling water. A growing number of Xylem technologies are designed to address this very issue and are now being called upon to help California manage its scarce water sources. Our Oxelia ozone-enhanced biologically active filtration technology is a critical technology that at the Advanced Water Purification Facility at the North City Water Reclamation Center in San Diego. This site is the focal point of the city's pilot demonstration project to study ways to optimize water reuse technologies to replace imported water sources.

In Northern California, our Wedeco ultraviolet systems are installed in the region's newest water recycling facility, the Silicon Valley Water Purification Center. This 8-million gallon per day facility uses our technology for the final disinfection step before the water is sent locally to support some of the world's most innovative technologies companies. In addition, the Santa Clara Valley Water District is conducting two pilot studies with Xylem's MiPro advanced oxidation process and Oxelia ozone-enhanced biologically active filtration to examine the potential for using recycled water to bolster potable water supplies.

Finally, our Bell & Gossett booster pumps are part of the water reuse system at the soon-to-be-completed Levi's Stadium, the planned site of the 2016 Super Bowl. Nearly 85 percent of all water inside the stadium is reused, eliminating the need to use the state's shrinking freshwater supplies for toilet-flushing and field irrigation in the arena. This saves more than 40 million gallons of water a year. Our pumps, which were selected for this water recycling system because of their outstanding energy efficiency, provide strong water pressure to circulate reused water throughout the stadium. This project showcases another way we can contribute to the reuse of our valuable water resources.



To save energy, our largest plant is now using a high-temperature borehole thermal energy storage system.

Recovering and Reusing More Waste Heat in Sweden

Heat recovery represents an important and largely unexplored opportunity for reducing energy use in industrial operations. At Xylem’s largest manufacturing plant, located in Emmaboda in southern Sweden, a high temperature borehole thermal energy storage (HT-BTES) system has resulted in energy savings of nearly 70 percent and reduced the facility’s carbon footprint by nearly nine metric tons a year, which is equivalent to removing three tons of waste from landfills.

The Emmaboda plant produces 150,000 Flygt brand submersible pumps and mixers annually, turning molten metal into finished products and creating significant quantities of excess or waste heat along the way. Most of this heat is generated in the foundry as the melting furnaces cool down, but data center servers, testing areas and material-hardening processes are also substantial sources of this waste heat. Five years ago, our Emmaboda team constructed the 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 its waste heat into the boreholes, where it charges and warms the bedrock, creating a stored heat reservoir that can be reused in the winter months.

In 2014, this heat-recycling system combined with other in-place energy recovery systems helped the plant capture 5,100 megawatt-hours of energy efficiency gains and reduced total energy purchases by nearly 70 percent compared with the pre-system rates. This system—which was a finalist in the Sustainable Energy Europe Awards 2014—is still being improved, with new sources of waste heat being channeled into the boreholes. Going forward, Emmaboda expects to recover 80 percent of its total waste heat for reheating purposes, and in 2015 the system will reduce total energy purchases by an additional 2,600 megawatt-hours per year.

2014: Other Ways Xylem is Reducing Our Energy Use and Climate Emissions

- Our dewatering operation in Bridgeport, New Jersey, transitioned many of its sales and delivery diesel engine fleet vehicles to gas engines with increased fuel efficiency and certified clean idle controls. This reduced CO₂ emissions by more than 1 million pounds in 2014.
- Our Calamba, Philippines pump manufacturing facility reduced electricity consumption through several initiatives, from infrastructure improvements and more energy-efficient fans and lights to inviting employees and their families to take part in a tree-planting project designed to reduce the facility’s cooling needs.



Cardboard from our Chihuahua site is loaded onto truck for recycling.

Recycling 280 Metric Tons of Waste in Mexico

Each year, the world produces more than 1 billion tons of landfill waste, and that's expected to double in the next two decades. At Xylem, we are well aware of the issues caused by this waste—from ground water pollution to global warming—and are working to reduce the amount of landfill waste generated by our sites. We are on a mission to reduce the amount of waste we generate by 20 percent by 2019, and to always choose recycling over landfills when it's an option.

2014: Other Ways Xylem is Reducing Its Waste Impacts

- Our pump-casting foundry in Slaton, Texas, recycled 12 million pounds of molding sand waste in 2014, sending it to a paving company for reuse rather than to the local landfill.
- Our pump production plant in Kostrzyn, Poland, reduced hazardous waste by 78 percent and non-hazardous waste by 33 percent by controlling consumption of materials, changing production processes and enhancing waste area signage and waste metric visibility.

Recycling has a direct and significant impact on decreasing our need for landfill space. Increasingly, our sites are finding ways to transition trash from the waste stream into recycling efforts. A good example is our manufacturing site in Chihuahua, Mexico, where employees are determined to redirect whatever waste they can for recycling. It's good for the environment, and they also found a way for their efforts to help local families.

In 2014, the Chihuahua team sent 280 metrics tons of cardboard, wood, packaging waste, scrap metals and plastics to recyclers by adhering to a strict waste segregation system. Employee buy-in was enhanced through an innovative partnership with a non-profit institution called Fundación Index. The organization picks up the materials, delivers them to registered recyclers and donates the sales proceeds to social impact programs in the local community. Last year, the funds generated from Xylem's recycling initiative helped low-income families afford prescription eyeglasses, hearing tests, medical exams and counseling sessions for their children.



Our PCI tubular membranes

Rinsing Out Unnecessary Water Use in Poland

Xylem helps customers find ways to use water more efficiently—and our teams around the globe are doing the same at their sites. By 2019, our goal is to reduce water usage by 25 percent on an enterprise-wide basis—a 5 percent annual reduction—and we will get there by examining and improving our water-use efficiency. At our Kostryzn, Poland site, the team found an innovative way to decrease its water use in line with our annual reduction goals.

The Kostryzn team produces tubular membrane filtration systems used by many industries for liquid separation. The tubes are formed by rolling strips of support material and adhering a polymeric membrane to the tubes' surface. The tubes are then put into gel tanks for rinsing. This is a vital step in the process, because the gelling and rinsing process ensures that Kostryzn is forming the correct membrane layer on all its tubes.

Before 2014, Kostryzn had used multiple machines to produce its tubular membranes, and this required them to use more than one rinse tank—and more water. To decrease the amount of water required, the team increased the efficiency and output of the production machines so that each one could produce more membranes. As a result, during lower-demand times the site now runs two machines and only has to fill and change water in two rinse tanks. This single change allowed the plant to reduce its water use by 5 percent in 2014, contributing to Xylem's annual water reduction.

2014: Other Ways Xylem is Reducing Our Water Use

- Our Calamba, Philippines manufacturing site reduced water consumption by more than 25 percent through a rainwater harvesting system.
- Our Montecchio, Italy, office and production space is saving 3,000 cubic liters of water—enough to fill an Olympic-size swimming pool—per year through improvements to the restroom water systems.



Swedish IT and Energy Minister Anna-Karin Hatt (center) and U.S. Ambassador to Sweden Mark Brzezinski (right) tour the Hammarby Sjöstadsværk facility where Xylem worked collaboratively with the IVL research institute to develop the new Oxelia water reuse technology.

New Water Reuse Technology Results from Partnership with Research Institute

Sitting atop a wastewater treatment plant in the Henriksdal section of Stockholm, Sweden, the Hammarby Sjöstadsværk research and demonstration facility does not attract much attention. But recently there's been a lot of "buzz" growing around the site's water reuse test plant run by Xylem in partnership with the Swedish Environmental Institute (IVL) and the Royal Institute of Technology (KTH). With fresh water supplies becoming more limited by the minute and water consumption increasing, the research at the facility is an important step forward for new water reuse solutions. In 2014, one promising solution—our Oxelia ozone-enhanced biologically active filtration system—was launched for the municipal wastewater treatment market.

Developed in collaboration between Xylem and IVL researchers, Oxelia combines ozone, filtration and analytical instrumentation to deliver optimal waste water treatment for water reuse, as well as safe discharge into sensitive water. This new technology eliminates micro-contaminants and emergent contaminants of concern, including pharmaceutical products, from reclaimed water supplies. Oxelia is a multi-barrier solution for municipal wastewater treatment that has a lower capital cost than many other advanced treatment systems.

The partnership with IVL at the Hammarby Sjöstadsværk site allows Xylem to team up with other water innovators to test and showcase products in a real-world setting, using the various types of wastewater that are available at this unique collaboration site. "Through these partnerships and at this site, we are making great technological advances with regard to sustainable and optimized reuse treatment," said Glen Trickle, Vice President and Director, Engineering and Technology for Xylem's Treatment Growth Center. In 2014, Xylem was named WaterReuse Manufacturer of the Year, and Oxelia received innovation recognition at the Water Environment Federation's annual conference and exhibition as one of the top 10 technologies for 2014. [Video](#)

2014: Other Ways Xylem Engaged with Sustainable Product Innovators

- Xylem leaders connect with international partners in Singapore to accelerate the commercialization of sustainable, innovative water technologies [Video](#)

2014 Value of Water Index: China Launch Event

2014.12.1



Shuping Lu, President of Xylem China

Joining Forces to Measure Value of Water in China

The United Nations considers a region to be “water stressed” when annual water supplies dip below 1,700 cubic meters per person. Today, in Beijing, China, the per capita water volume is just 100 cubic meters, meaning China’s capital city has more severe water scarcity than some countries in the arid Middle East. Solutions throughout China are urgently needed, and the first step is raising awareness about the true value of water.

In 2014, Xylem collaborated with fellow water thought leaders to conduct the Value of Water Index: China. The survey, which follows two similar surveys conducted in the U.S. in 2012 and 2010, was designed to measure the level of recognition of water challenges in China. Understanding perceptions of the value of water is an important step in increasing awareness and driving new ideas and actions to address China’s growing water challenge.

We conducted the survey in conjunction with China Water Net, a leading Chinese water-focused NGO. Among other key findings, the survey found that 96 percent of the urban Chinese public believes that the water challenges in China are serious, and that 94 percent of respondents are willing to change their behavior around water use. In addition, nearly 90 percent of water industry experts surveyed believe that private sector companies have an important role in developing technological solutions and providing the expertise needed to address the country’s water issues. “We’ve learned that there is a broad understanding of the pressing need to address water challenges in China, and most people are willing to play a role to help achieve this important goal,” said Shuping Lu, President of Xylem China.

[View the full results of the Index.](#)

2014: Other Ways Xylem Engaged with Water Thought Leaders

- Xylem representatives joined other water technology leaders to advocate for clean water policies and initiatives to members of U.S. Congress. [Video](#)
- Xylem joined U.S. Water Partnership, a public-private partnership that seeks to mobilize knowledge, expertise and resources to improve water security around the world. Joining like-minded companies, nonprofit organizations and government agencies, Xylem will work to strengthen water resilience in flood—and drought-prone cities around the world. [Link](#)



Al Cho, Vice President of Strategy and Business Development

Joining Fellow Changemakers in Sustainability “Innovation Lab”

How can a company sustain its sustainability efforts? One important way is to engage with thought leaders outside the organizational walls, and inspire new ways of thinking about sustainability issues. At Xylem, we look for opportunities to connect with people and organizations in the vanguard of the sustainability arena, and in 2014, one of our business leaders, Al Cho, accepted an invitation to join a community of sustainability innovators.

Cho, who serves as our Vice President of Strategy and Business Development, was chosen to join the latest class of Aspen Institute First Movers Fellows, along with Fellows from Facebook, Google, GlaxoSmithKline, Chipotle and other progressive companies. The Fellowship is built around the core themes of innovation, leadership, reflection and community. Participants are selected because they are looking over the horizon and creating long-term value for their companies in diverse ways, such as lowering operating risks, managing supply chains, meeting the needs of underserved markets and embedding sustainability practices throughout their organizations.

The 12-month program includes three seminars during which the Fellows interact in a group setting, and it focuses on developing business leaders to succeed in a sustainable global society. It also serves as an innovation lab where Fellows develop the skills to make their innovations real and successful within their organizations. During his Fellowship, Cho is addressing the issue of urban resilience to water-related risks, and the “social contract” between communities and corporations over industrial water consumption. “I believe we can do even more to enable communities to prepare for and recover from floods, droughts and other natural disasters,” says Cho.

[Hear more from Al Cho about his selection.](#)

2014: Other Ways Xylem Engaged with Sustainability Innovators

- In 1997, Xylem (then part of ITT Corporation) helped design and launch the Stockholm Junior Water Prize. Today our company is still a leading supporter of this competition to identify and energize future water leaders.

[Video Link](#)



Xylem Watermark volunteers help construct an aqua tower

In the Philippines, Every Employee is a Xylem Watermark Volunteer

Through Xylem Watermark, our corporate citizenship and social investment program, employees around the world help provide clean water to communities in need. Since its launch seven years ago, the program has reached 2.8 million beneficiaries, provided support to nearly 800 projects, and engaged thousands of Xylem employees in volunteer activities, including 100 percent of our team in the Philippines.

Xylem Watermark offers employees a number of different ways to get involved in bringing water to at-risk schools and communities. Some of them participate in Xylem Watermark field activities with one of our Xylem Watermark nonprofit partners. One partner, Planet Water Foundation, provides the opportunity for employees to assemble aqua towers in schools that provide the daily drinking water requirements for up to 1,000 people. The employees also help deliver safe water, sanitation and hygiene (WASH) education courses to teachers and students.

In 2014, dozens of Xylem Philippines employees donated their hands, hearts and muscles to help construct two aqua towers in San Pedro Laguna. When the project was complete, it marked a life-changing moment for children and community members who had a safe and reliable source of clean water. It was also a landmark moment for Xylem Philippines employees. At the completion of the project, 100 percent of our local employees had volunteered for a Xylem Watermark project, showing their high level of engagement in bringing clean water to where it's needed most.

[View a video of the San Pedro Laguna project.](#)

2014: Other Ways Employees Engaged with Xylem Watermark

- Xylem employees from across the globe traveled to West Bengal, India for a 10-day volunteer trip to monitor local water sources, survey local residents and more. [Link](#)
- Xylem won the 2014 Corporate Excellence Award from Charities@Work in recognition of Xylem Watermark's numerous employee engagement activities. [Link](#)



Employees at our Applied Water Systems site in Cegled, Hungary compete in the “World Cup of Safety” inter-site competition designed to make ladder safety—and other safety lessons—more interactive, hands-on and memorable.

“Outrageous Employee Involvement” Leads to Safer Workplaces

Our Applied Water Systems (AWS) Growth Center reduced its injury frequency rate by nearly one-third from 2014 to 2015. The key, according to AWS Environmental, Safety, Health & Security Director Greg Mimms is “outrageous employee involvement,” which means getting as many employees engaged as possible and securing commitment from senior management to support more workplace safety activities.

AWS has nearly 30 sites worldwide, so its safety efforts are designed to appeal to a global employee population. In 2014, AWS sites competed against one another in an eight-week “World Cup of Safety” competition that focused on a different safety behavior each week, and AWS leadership introduced global standard requirements for forklifts, cranes and hoists, signs and displays, and safety glasses and work shoes.

With the Find It/Fix It Circle of Safety program, employees are asked to stop twice a day to scan their immediate area in a 360-degree circle looking for any safety issues. Employees can then correct issues in their control immediately or report unsafe situations to their supervisors for further action. Engaging programming, reinforced by recognition, is one of the big reasons so many employees are taking part in these activities and embracing safety as the desired culture. AWS awards sites for achieving low and improved injury frequency rates, reaching specific safety milestones and winning the global site competitions. In addition, the annual Accept Only Zero Cup, awarded to the site with the best overall performance for the year, has become a coveted honor. The combination of innovative safety activities supported by public recognition enabled AWS to reduce its injury rate from 1.95 in 2013 to 1.32 in 2014.

2014: Other Ways We’re Helping Employees Stay Healthy and Safe

- In addition to on-site team-building activities, Family Day at our Cegled, Hungary site featured health screenings and safety games for everyone in attendance.
- Our manufacturing site in Montecchio, Italy realized significant injury reductions through the introduction of a behavior-based safety program designed to identify, measure and change employees’ on-the-job behaviors.



Providing Employees with Clearer Direction on Career Paths

Employee retention is a key measurement of employee engagement. Employees who are engaged are more productive, content and more likely to be loyal to an organization. While there will always be some turnover at Xylem, we want to ensure our top performers and high-potential employees remain with us, and we are using findings from our most recent Xylem Global Employee Survey to help guide us toward this goal.

In the survey, employees called for more clarity pertaining to personal development and career growth at our company. With the global rollout in 2014 of Career Frameworks, we are addressing this request. Career Frameworks is a tool that enables us to identify observable and measurable behaviors, along with key developmental experiences from both inside and outside work that are desirable for each different career stage. Working with their managers on an ongoing basis and during annual performance reviews, employees now get detailed direction about the competencies they need to succeed in their current job or be considered for the next step in their career journey.

In 2014, Career Frameworks was rolled out with a “train the trainer” process. Our global Human Resources team trained frontline managers around the world, who in turn held developmental conversations with employees and trained them on how best to use and benefit from this new tool. By the end of 2014, 75 percent of all Xylem managers had attended the one-day workshop, and our goal is 100 percent by the end of 2015.

2014: Other Ways We Enhanced Employee Development

- Our Human Resources and Information Technologies teams began development of an enterprise-wide Learning Management System that will enhance eLearning opportunities for employees when it goes live in 2016.
- We introduced “Manager as Coach” training to help our middle-level and frontline managers transition from directive (“do it this way”) management to a coaching style that helps and encourages employees to develop their strengths and increases employee engagement.

1.2

Key Impacts and Opportunities

Recently we conducted a materiality assessment with an external partner to review our approach to sustainability, articulate a strategy, develop a sustainability framework and create a sustainability roadmap to assist with implementation. As a result of the assessment, we articulated a sustainability strategy with four focus areas: our offerings, our operations, external engagement, and organization and culture. We determined that this approach to sustainability best aligned with our business strategy, positioning us to address our key opportunities and tackle our ultimate mission: to solve water.

From a stakeholder standpoint, we use a “sustainability scorecard” that compares Xylem’s current sustainability performance to the topics that Xylem’s key stakeholders care about most. The scorecard outlines our strengths and opportunities for improvement on material sustainability issues. While the scorecard results are for internal use only, this report does provide data in all 17 sustainability areas that are measured in the scorecard, including those where Xylem’s current action levels are assessed as being aligned with stakeholder interest level and those opportunities where stakeholder interest is assessed as being higher than our current performance.

From a business performance standpoint, our Xylem Sustainability Steering Committee (XSSC) a group that includes representatives from many geographies, businesses and functions that meets monthly to guide our sustainability efforts—in conjunction with our Investor Relations team and other company leaders, used the results from our material assessment to identify the top five material sustainability issues from a business and investor standpoint. All five issues are addressed in this report:

- **Water Essentials.** Water is vitally connected to the world’s critical resources, including energy, labor, capital and food. It is essential to life, and to the health of our global economy. The fact that demand for fresh water continues to rise in a period of uncertain, and in some cases declining, supply is one of the most challenging and important issues facing our planet. The world is entering a new era of greater accountability and greater resource intelligence where Xylem can make important contributions.
- **Environmental Product Innovation.** To remain competitive and ensure that our products live up to the sustainability expectations of our customers, it is critical for us to stay at the industry forefront in the energy efficiency and lifetime expectations for our products.
- **Climate Strategy.** As a global leader in water solutions, Xylem is committed to increasing our visibility, voice and actions when it comes to climate change. At Xylem, we see climate change as an additional impetus for our commitment to solve water.
- **Occupational Safety and Health.** Through our Environment, Safety, Health & Security (EHS&S) organization, ESH Management System and our “Accept Only Zero” program philosophy that reinforces employee and management accountability for occupational health and safety, we are working to create an even safer workplace.
- **Stakeholder Engagement.** From employees and customers to suppliers and investors, all our stakeholders are partners in our growth and sustainability efforts.

In 2014 and early 2015, the Xylem Sustainability Steering Committee (XSSC) worked with our board of directors and company leaders to establish an aspirational set of sustainability goals. In March 2015, the goals were finalized, along with metrics to track our progress in meeting them. The new goals address the five sustainability-related material issues facing our company. They are also aligned with our company’s sustainability strategy, which in turn ties directly to Xylem’s business strategy. This enables sustainability to be effectively and seamlessly integrated into our core business operations.

The XSCC is currently educating employees about the new goals and enlisting their assistance and ideas in helping Xylem achieve them. In the near future, the sustainability goals will be incorporated into our business operating planning process, and progress against them will be evaluated via our goal deployment process to ensure that we are on track to meet both short-term and long-term goals.

Xylem’s Sustainability Goals

Sustainability Strategy Element	Goals	Key Metrics
Our Offerings	<ul style="list-style-type: none"> • Improve product energy efficiency of specific Xylem product lines • Increase vitality index by 2 percent per year to drive product innovation and efficiency 	<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>
Our Operations	<ul style="list-style-type: none"> • Reduce Xylem water use by 25 percent by 2019* • Reduce greenhouse gas (GHG) emissions intensity by 20 percent by 2019* • Reduce waste sent to landfill by 20 percent by 2019* • Reduce injury frequency rate to less than 0.5 and injury severity rate to less than 6.0 by 2017* • Achieve 100 percent compliance at all manufacturing and service sites 	<p>Cubic meters (M³) of total water withdrawals at Xylem-operated sites per dollar of revenue</p> <p>Carbon dioxide equivalent (CO₂e) from Scope 1 & 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</p>
	* from 2014 baseline	
External Engagement	<ul style="list-style-type: none"> • Increase impact of Xylem Watermark, our corporate citizenship program, through investments to nonprofit partners • Increase employee involvement in Xylem Watermark by 15 percent year over year • Position Xylem as a leading advocate for sustainable water policy worldwide 	<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>
Organization and Culture	<ul style="list-style-type: none"> • Improve employee engagement on sustainability 	<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>

Organizational Profile Introduction

Xylem is a leading global water technology company with operations in more than 150 countries; a passionate, talented and experienced workforce; well-known industry leading brands and water solutions; 2014 revenues of \$3.9 billion and a shared commitment to making a difference in communities around the world

2.1

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*.

2.2

Primary Products and Services

Xylem is a leading global water technology provider, enabling customers to transport, treat, test and efficiently use water and manage wastewater. 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.

2.3

Operational Structure

Xylem operates five product-focused businesses, which we call Growth Centers: Dewatering, Transport, Analytics, Treatment, and Applied Water Systems. Each Growth Center has global profit-and-loss accountability and is responsible for manufacturing, product strategy and marketing, research, development and engineering (RD&E), sales and service, application engineering, pricing and purchasing for the products that fall in its area. The Growth Centers are interconnected, anticipating and reflecting evolving needs and sharing their applications expertise to cover every stage of the water cycle.

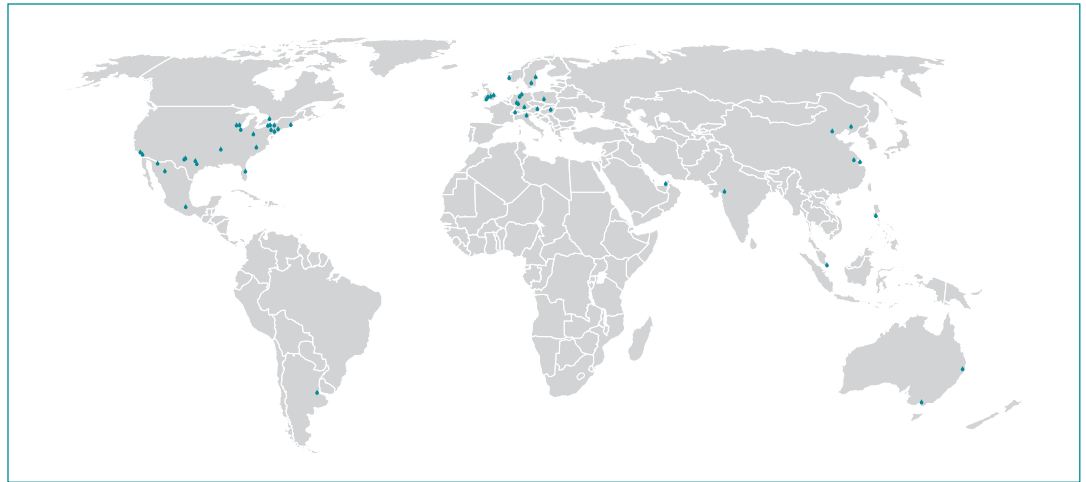
2.4

Headquarters Location

Xylem global headquarters is in Rye Brook, New York.

2.5

Major Operations Locations



Americas

- ◆ Rye Brook, NY
- ◆ Auburn, NY
- ◆ Buffalo, NY
- ◆ Seneca Falls, NY
- ◆ Charlotte, NC
- ◆ Pewaukee, WI
- ◆ Brown Deer, WI
- ◆ Morton Grove, IL
- ◆ Beverly, MA
- ◆ Zelienople, PA
- ◆ Bridgeport, NJ
- ◆ Yellow Springs, OH
- ◆ Dallas, TX
- ◆ Lubbock, TX
- ◆ Slaton, TX
- ◆ College Station, TX
- ◆ Lake Mary, FL
- ◆ Southaven, MS
- ◆ Irvine, CA
- ◆ San Diego, CA
- ◆ Guelph, Ontario, Canada
- ◆ Nogales, Mexico
- ◆ Chihuahua, Mexico
- ◆ Queretaro, Mexico
- ◆ Buenos Aires, Argentina

Europe

- ◆ Schaffhausen, Switzerland
- ◆ Sundbyberg, Sweden
- ◆ Emmaboda, Sweden
- ◆ Axminster, United Kingdom
- ◆ Quenington, United Kingdom
- ◆ Hoddesdon, United Kingdom
- ◆ Farnborough, United Kingdom
- ◆ Cegled, Hungary
- ◆ Stockerau, Austria
- ◆ Bremen, Germany
- ◆ Grossostheim, Germany
- ◆ Herford, Germany
- ◆ Weilheim, Germany
- ◆ Mainz, Germany
- ◆ Bergen, Norway
- ◆ Montecchio, Italy
- ◆ Strzelin, Poland

Asia Pacific

- ◆ Vadodara, India
- ◆ Shanghai, China
- ◆ Beijing, China
- ◆ Shenyang, China
- ◆ Nanjing, China
- ◆ Calamba City, Philippines
- ◆ Brisbane, Australia
- ◆ Mentone, Australia
- ◆ Singapore
- ◆ Dubai, United Arab Emirates

2.6

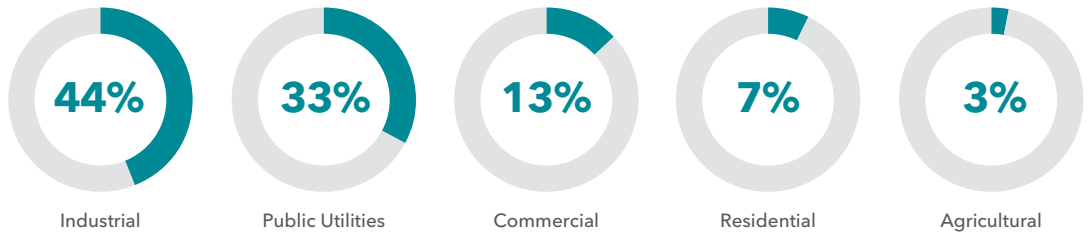
Nature of Ownership

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

2.7

Markets Served

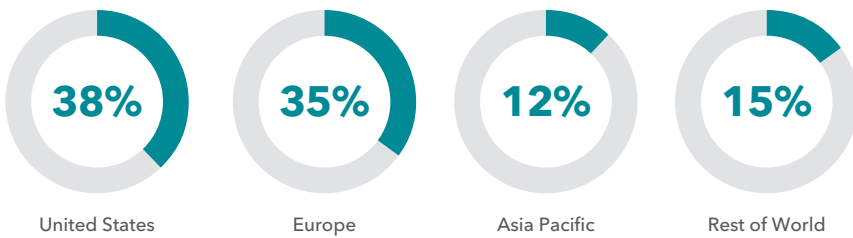
Xylem provides water solutions to customers in the following end markets:



2.8

Scale of Operation

Xylem has approximately 12,500 employees located around the world. We do business in more than 150 countries and we generated \$3.9 billion in revenues in 2014. The revenues were generated in the following geographies:



2.9

Significant Organization Changes

There were no significant changes during 2014 regarding the size or ownership of Xylem.

2.10

Awards and Recognition

In February 2014, Xylem's new Saahji Stepping Pump was qualified by the [India Ministry of Agriculture](#) for Indian rural government programs. In January 2015, the pump received a 2014 [Good Design award](#) in the humanitarian category for its contributions to the smallholder farmer in developing nations. And in May 2015, it was selected as a Silver Winner in the Agricultural Enhancements category at the [Edison Awards](#), which recognize innovation, creativity and ingenuity in the global economy.

In March 2014, a Xylem project in Scotland earned an award for [Environmental Contribution of the Year](#) at the 2014 Pump Industry Awards in the U.K. Through a technology upgrade and Xylem TotalCare energy audit, we helped reduce the carbon footprint of a major pumping station in Scotland by 14.2 metric tons per month.

In April 2014, Xylem Watermark, our corporate citizenship and social investment program, won the 2014 [Corporate Excellence Award from Charities@Work](#). The award recognized Xylem Watermark's employee engagement activities, including a matching gifts program, volunteer opportunities, and senior leadership and executive participation.

In April 2014, Xylem was recognized by the [Business Roundtable](#) for sustainable business practices. We were featured in the Business Roundtable 2014 Sustainability report as one of 150 companies committed to addressing environmental and energy challenges while driving increased economic growth and job creation.

In July 2014, the Xylem headquarters site achieved [Leadership in Energy and Environmental Design \(LEED\) Gold Certification](#). LEED certification is an official recognition that a site complies with the U.S. Green Building Council's requirements in five green design categories: sustainable sites, water efficiency, energy and atmosphere, materials and resources and indoor environmental quality.

In September 2014, Xylem earned a place on the [Dow Jones Sustainability Index for North America](#) for the third consecutive year.

In September 2014, our Bell & Gossett e-1510 centrifugal pump was named [Product of the Year](#) by Consulting-Specifying Engineer magazine. The e-1510 was recognized for providing the highest overall efficiency for HVAC and plumbing applications.

In November [2014, Xylem was named 2014 Equipment Manufacturer of the Year](#) by the WaterReuse Association. The award recognized our leading-edge work to optimize advanced water treatment processes that prove wastewater can be efficiently purified beyond bottled-water quality to provide a new source of safe water.

In November 2014, our Flygt Experior wastewater pumping solution won a [2014 Innovative Technology Award](#) from the Water Environment Federation. Flygt Experior's clog-resistant design has been proven to reduce energy consumption by up to 50 percent.

In December 2014, Xylem won the [Silver Medal Innovation Award](#) from the German agriculture organization Deutsche Landwirtschafts-Gesellschaft for developing an innovative biogas solution that is more energy-efficient than alternatives.

Report Parameters Introduction

At Xylem, our goal is to enable all of our stakeholders to be kept informed and understand our company's key decisions. Transparency is critical to earning trust and credibility with our customers, investors, employees, suppliers, communities and other stakeholders. With this report, we are making our sustainability priorities, goals, successes and challenges clear to our stakeholders and enabling them to track our progress along with us.

3.1 Reporting Period

This report captures full-year sustainability results and progress for 2014, and includes some case examples from early 2015.

3.2 Date of Previous Report

Our previous report was released in July 2014.

3.3 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. This 2014 report was released in June 2015, and we will continue to strive to release the report as close as possible to the year we are covering.

3.4 Contact Point

For more information about the content included in this report, contact Xylem's Director of Environment, Safety, Health (ESH) and Sustainability, Bennett Leff, at bennett.leff@xyleminc.com or 914-323-5989.

3.5 Report Scope

Information for this report was collected through interviews with Xylem's President and Chief Executive Officer; members of the Xylem Sustainability Steering Committee and key sustainability project and program leaders. Additional information was collected through a review of company documents and reports, including Xylem's Form 10-K for 2014 and Xylem policies.

To learn more about our process for determining content for this report, in terms of materiality and prioritization, see the Materiality indicator in the Strategy and Analysis section.

3.6 Report Boundaries

The information in this report captures data from our operations, all of Xylem's owned and leased facilities, and from two minority-owned joint venture operations in Venezuela and Turkey. Our operation includes many subsidiaries (see Form 10-K in our annual report for the full list), and this report includes information for those subsidiaries over which we exercise control or significant influence. The report does not capture data from any outsourced engineer-to-order manufacturing operations utilized by our businesses.

3.7 Limitations on Report Scope

There are no specific limitations on the scope or boundaries of this report.

3.8 Report Comparability

There were no significant changes to Xylem’s operations since the publication of our last report in 2014 that significantly affect comparability from 2013 to 2014.

3.9 Data Measurement Techniques

The Xylem economic performance data included in this report are calculated using standard accounting practices and reflect the information found in our annual report. Environmental and workplace safety metrics are collected and calculated through our online Metrics for Environment, Safety & Health (MESH) system.

Xylem Watermark social impact metrics are calculated using detailed field reports provided semi-annually by our nonprofit partners. Xylem’s Employee Matching Gifts program is tracked and monitored using automated, online, global giving platforms, as well as through the support of the National Philanthropic Trust, the overseer of the Xylem Watermark Fund, a donor-advised fund.

Measurement techniques for other key data points in this report are indicated in the relevant section.

3.10 Explanation of Re-Statements

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, Safety & Health metrics based on revenues to allow for a consistent year-over-year comparison that isn’t impacted by acquisitions, divestitures, employee turnover and the like. Significant restatements of data compared to prior years are noted in the section where they appear.

3.11 Significant Report Changes

There are no significant changes from previous reporting periods in the scope, boundary or measurement methods applied in this report.

3.12 GRI Content Index

For this report, we are using the reporting criteria set out in the Global Reporting Initiative (GRI) G3 guidelines. GRI identifies specific sets of indicators for reporting and establishes progressively higher levels for companies to use as overall benchmarks for the reporting depth and quality of reporting.

This year, Xylem is reporting at a GRI self-declared level C. The “C” rating means we met all of GRI’s profile disclosure requirements—including a CEO statement, information about our company and markets, reporting parameters and governance mechanisms—and we also reported on a minimum of 10 performance indicators, including at least one from the Economic, Social and Environmental categories. Our goal in the next year is to assess GRI’s new G4 reporting guidelines and determine the appropriate format for Xylem’s reporting moving forward.

View our full [GRI G3 Index](#), which has been combined with our UN Global Compact Communication on Progress.

3.13

External Assurance of Report

In 2014, Xylem engaged independent certification and verification providers, ERM Certification and Verification Services (ERM CVS), to conduct assurance of our global natural gas (MWh) and electricity use (MWh) contained within our Metrics for Environment, Safety & Health (MESH) system, and presented within this report for calendar year 2014. ERM CVS prepared a summary of its findings and recommendations and the results are reflected in the EN3 and EN4 indicators of this GRI Progress Report.

[View the assurance statement from ERM CVS.](#)

Xylem plans to address the observations included in ERM CVS' assurance statement and has already provided additional training on data quality and reporting to key site staff during our 2015 ESH Regional Training Meetings.

GOVERNANCE

Governance Introduction

Xylem is committed to maintaining strong corporate governance practices. In keeping with this commitment, we have created a business structure and put controls in place to promote corporate fairness, transparency and accountability.

4.1

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. Our board members 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 environmental programs. This Committee also provides oversight of 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 not taking any shortcuts on our road to industry leadership.

4.2

Board Chairperson Independence

The Chairman of Xylem's board of directors, Markos Tambakeras, is independent. Mr. Tambakeras has strong 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 running the day-to-day operations of our company.

4.3 Board Independence

Nine of our 10 board members meet the standards for independence established by the New York Stock Exchange and, following our Corporate Governance Principles and committee charters, all members of the three NYSE-required committees are independent directors. This independence helps ensure the oversights and judgments are objective and made in the best interest of all Xylem stakeholders. The only non-independent member of the board is Xylem's President and Chief Executive Officer Patrick Decker.

4.4 Board Contact Information

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.

4.5 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 shareowner interests and Xylem's long-term performance. Likewise, Xylem's most 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. Eighty-six percent of CEO compensation and more than 70 percent of compensation for other named executive officers (NEOs) is 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 in 2014 are reported in our [2015 proxy statement](#).

4.6 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 2014, 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.

4.7

Board Sustainability Qualifications

As sustainability continues to become more of a business and growth strategy for Xylem, it is also becoming a more important qualification for board members. Each year, the Nominating and Governance Committee considers the qualifications of our directors, taking into consideration factors such as operational, technical, management, financial, international and other expertise, which can include sustainability experience and commitment.

4.8

Sustainability Guiding Documents

Xylem has a number of documents that guide our sustainability efforts and 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 our directors, officers and employees. It is posted publicly in 25 languages, and in 2014, more than 98 percent of our employees participated in Code of Conduct training. In addition, our [Supplier Code of Conduct](#) is posted publicly in 18 languages.
- 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, safety and health.
- 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 fourth report since we became an independent company in 2011, and all of them follow the international guidelines developed by the [Global Reporting Initiative](#) (GRI).

4.9

Sustainability Adherence Procedures

Our 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 exercises oversight over our governance and compliance programs, including items such as anti-corruption and environmental, safety, health, security and sustainability programs.

4.10 Sustainability Adherence Metrics

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.

4.11 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.

4.12 External Sustainability Charters

Xylem is formally committed to support the [Ten Principles](#) of the UN Global Compact, which set forth core values in the areas of human rights, labor standards, the environment and anti-corruption. As part of this commitment, we publish this sustainability report as Xylem's annual Communication on Progress (COP) against the Ten Principles.

4.13 External Memberships

Water-Related Organizations

- Hydraulic Institute
- Europump
- Value of Water Coalition
- International Water Association
- Stockholm International Water Institute
- Water Environment Federation
- Singapore Public Utilities Board
- U.S. Water Partnership

Workplace Health, Safety and Ethics-Related Organizations

- National Association for Environmental Management
- Corporate Executive Board
- Society of Corporate Compliance and Ethics
- Ethics Resource Center
- Ethisphere

Sustainability-Related Organizations

- UN Global Compact
- Global Compact Nordic Network
- European Investment Bank
- Ceres
- Manufacturers Association for Productivity and Innovation Sustainability Council

Citizenship-Related Organizations

- Mercy Corps
- Water For People
- Planet Water Foundation
- Fundación Avina
- China Women's Development Foundation
- Earthecho

4.14

Xylem Stakeholders

At Xylem, we consider the following stakeholder groups to be critical to our business and partners in our growth and sustainability efforts:

- Employees
- Communities
- Customers and end users
- Investors
- Suppliers
- Certification and regulatory agencies
- Associations and non-governmental organizations

4.15

Stakeholder Engagement

Xylem proactively solicits stakeholder feedback about our sustainability efforts through an annual teleconference with industry peers, financial analysts, academic institutions, water- and sustainability-focused nonprofit organizations and members of the Xylem Sustainability Steering Committee.

In March 2014, a group of these stakeholders reviewed Xylem's sustainability strategic framework, and activities during the preceding year. The group provided input and recommendations in a number of important areas including: goal development and implementation, product solutions and impacts, leveraging partnerships, reporting disclosures and how Xylem's unique position at the "nexus of energy, water and food" presents opportunities for our company.

The Xylem Sustainability Steering Committee will carefully consider the recommendations obtained during the engagement as they develop the next steps in Xylem's sustainability journey.

4.16

Stakeholder Engagement Methods

We reach out to our stakeholders in many ways. These include:

- Employees – Good Company Assessment survey, Partnership for Performance manager-employee appraisals, ethics hotline and employee training and development
- Customers and end users – white papers, voice-of-the-customer product development interviews, customer satisfaction surveys, *Impeller* customer magazine, news releases
- Investors – annual report and quarterly earnings conference calls and investor outreach program on corporate governance
- Suppliers – newly implemented Xylem Supplier Ombudsperson program and [Supplier Code of Conduct](#), translated in 18 languages
- Local communities – Xylem Watermark field assessments and sponsorship of local community initiatives
- Certification and regulatory agencies – International Organization for Standardization (ISO) and Occupational Health & Safety Management Systems (OHSAS) certification inspections
- Associations and NGOs – memberships and partnerships with the Value of Water Coalition, U.S. Water Partnership, Xylem Watermark partners and others

4.17

Stakeholder Feedback and Concerns

Our March 2014 meeting with stakeholders to discuss Xylem's sustainability strategic framework and initiatives (see indicator 4.15) provided us with useful feedback and recommendations for improvement. While the entire report contents contain 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.” It also recommended that we share our new Eco-Efficiency Tool with suppliers to help them meet their sustainability goals. And the group believed that our business can do a better job of integrating sustainability into our product development “stage-gate” checkpoints.

As noted in indicator 4.15, the Xylem Sustainability Steering Committee will carefully consider the recommendations obtained during the engagement as the next steps in Xylem’s sustainability journey are developed.

ECONOMIC PERFORMANCE

Economic Performance Introduction

Financial and economic performance is one of the three key elements of the “triple bottom line”—along with social and environmental performance—that determines business success and defines sustainability. We are working to ensure we deliver outstanding economic performance and shareowner value in harmony with the other two components of the triple bottom line.



Economic Performance

Xylem reported revenue for 2014 of \$3,916 million, an increase of 2.1 percent from \$3,837 million reported in 2013. Growth in the industrial and public utility end markets combined with strength in emerging markets, most notably in China, drove the increase. Continued challenging market conditions limited growth in other developed regions, including Europe, which was flat organically, while Japan and Australia declined.

Operating income for 2014 was \$463 million, reflecting an increase of \$100 million or 27.5 percent compared to \$363 million in 2013. This was primarily due to savings from Lean Six Sigma activities, global sourcing initiatives and restructuring actions, as well as the absence of \$24 million in non-recurring special charges that occurred in 2013, which more than offset headwinds from cost inflation and unfavorable sales mix:

Following is an overview of some key full-year results that show how we’re maximizing value to our shareowners:

• Revenue	\$ 3.9 billion
• Operating Costs	\$ 3.5 billion
• Retained Earnings	\$ 0.6 billion
• Dividends Paid	\$ 94 million
• Shares Repurchased	\$ 134 million
• Interest Paid	\$ 51 million
• Donations	\$ 2.5 million

EC2

Climate Change Impact

A growing body of evidence shows that climate change is impacting our planet's weather patterns and leading to an increase in the number and severity of natural disasters. In the past two years, Xylem has published three white papers on urban resilience, which included identifying solutions for urban flood management, water scarcity and infrastructure protection, all of which represent water challenges that are directly or indirectly impacted by climate change.

Climate change impacts portions of our business. Xylem provides products that aid customers in building resilience to water-related issues such as flooding events and drought conditions. Our Godwin dewatering pumps are used to move flood waters that can result from natural disasters such as hurricanes. 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 also causes 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 our [Climate Change Policy](#), which focuses on 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 ambitious operational targets related to climate change that are discussed throughout this document.

EC3

Pension Obligations

Xylem provides both defined benefit pension plans and non-defined contribution 401(k) plans for employees. More than three-quarters (76 percent) of our employees are covered under these two types of plans.

For plans that have a funding requirement, we are 101 percent funded. For all plans, including those that don't have a funding requirement, we are 67 percent funded.

EC4

Financial Assistance from Government

Xylem receives no significant financial assistance from the government of the U.S. or other countries.

EC5

Local Minimum Wage

Xylem pays market-based wages throughout the geographies in which we do business. We attract and retain our talent based on our total rewards philosophy. Our global compensation team and compensation professionals embedded in some of our larger Growth Centers work together with local and regional Human Resources and business leaders to ensure this information is kept current and applied consistently.

EC6

Local Suppliers

Xylem operations do the majority of their business with local suppliers. 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.

Xylem’s procurement strategy sets sourcing policies that we follow at the local, regional and global level, and that are in line with site-specific requirements.

EC7

Local Hiring

At all of our sites, most of Xylem’s workforce is hired from the local area, including top-level and senior managers. As part of our leadership development initiatives, we do move potential leaders into Xylem sites outside their native geography for multi-year assignments, but this represents a small percentage of the local leadership teams. Local hiring procedures follow our global standards for hiring, with allowance for country or regional regulations. We do not track the proportion of employees or senior managers hired from the local communities, but for the reasons outlined and because it is economically efficient, the percentage of local personnel is high.

EC8

Infrastructure for Public Benefit

As part of our Xylem Watermark corporate citizenship program, we donate funds and volunteers to nonprofit organizations to assist in the building of clean and safe water infrastructure systems for communities, schools and people in need. This infrastructure includes innovative water towers, water cisterns, improved sanitation systems and disaster relief water-delivery systems in all parts of the world.

EC9

Indirect Economic Impacts

As a large, global company, Xylem creates jobs throughout the world’s supply chain and utilizes services such as air travel, hospitality and consulting, which has a ripple effect on the broader economy.

In addition, our Xylem Watermark citizenship program brings safe water, sanitation and hygiene education to schools and communities in water-stressed areas around the world. This enables more students to stay healthy and stay in school, which will lead to stronger, more educated local workforces in the long-term.

We have not attempted to measure or estimate the indirect economic benefits of these impacts. It will vary depending on our company’s level of activity and on local circumstances, but the potential economic impact is significant.

Environmental Performance Introduction

Xylem is part of the planet, not apart from it. Our goal is to minimize our impact on the Earth's ecosystems and adopt "beyond compliance" environmental standards at all of our sites.



Materials Used

At Xylem, the materials, including recycled materials, used in the manufacture of our products are tracked at the local site level. Because we use multiple Enterprise Resource Planning (ERP) systems, it is currently not possible to roll these data up to provide a corporate-wide metric of the materials we use by weight or volume.

In conjunction with our focus on eco-efficiency, Xylem is developing a "green office" checklist tool to integrate at sites, particularly those with administrative operations. This tool will encourage and track sustainable goals and efforts within these office environments, including material usage. For example, goals in the checklist include converting at least 50 percent of events, conferences and meetings to paper-free (e.g. only providing materials electronically); purchasing copy, compute and fax paper with 100 percent post-consumer waste content; and using eco-font or other toner-efficient fonts to reduce toner use by 25 percent. The "green office" checklist tool has been developed and is currently under testing. It is expected that the tool will be launched during 2015.



Recycled Materials

See EN1 indicator above.



Direct Energy Consumption

Direct Energy by Type (Megawatt-Hours - MWh)	2013	2014
Renewable Electricity Generated	52	56
Natural Gas Used	67,941*	65,362
Stationary Source Gaseous Propane	3	2
Stationary Source Liquid Propane	1,261*	1,768
Stationary Source Fuel Oil	2,961*	2,298
Total Stationary Energy Usage	72,219*	69,484
Mobile Source Gasoline	11,900*	15,709
Mobile Source Diesel	70,498*	77,973
Mobile Source Liquid Propane	85	26
Total Mobile Energy Usage	82,483*	93,708
Total Direct Energy Usage – Stationary + Mobile	154,703*	163,192

* A review of historical data resulted in an upwards restatement of values for 2013.

In 2014, Xylem experienced a more than 5 percent increase 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.

We have presented our energy consumption in two segments—direct and indirect energy—and are reporting on both individually, per the Global Reporting Initiative G3 guidelines. To see our total energy consumption for 2014 and learn about some of our energy-efficiency and renewable energy initiatives, visit the EN5: Total Energy Consumption indicator in this report.



Indirect Energy Consumption

Indirect Energy by Type (Megawatt-Hours - MWh)	2013	2014
Purchased Electricity	127,504*	133,193
Purchased Heat	1,422	1,250
Total Indirect Energy Usage	128,926*	134,443

* A review of historical data resulted in an upwards restatement of values for 2013.

In 2014, Xylem experienced a more than 4 percent increase in indirect energy consumption. 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.

We have presented our energy consumption in two segments—direct and indirect energy—and are reporting on both individually, as per the Global Reporting Initiative G3 guidelines. To see our total energy consumption for 2014 and learn about some of our energy-efficiency and renewable energy initiatives, visit the EN5: Total Energy Consumption indicator in this report.



Total Energy Consumption

Definition	2013	2014
Total Energy Consumption (Megawatt-Hours - MWh)	283,629*	297,635
Total Energy Intensity MWh consumption/ annual revenues (million USD)	73.92*	76.00

* A review of historical data resulted in an upwards restatement of total energy consumption for 2013.

In 2014, Xylem saw a nearly 5 percent increase in the absolute amount of energy consumed and a nearly 3 percent increase 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 the like.

Our year-over-year increase in our 2014 energy consumption is an area of focus for Xylem going forward. We need to accelerate our efforts to decrease energy usage because the cheapest energy is the energy we don't have to procure. It is also the best for the environment in terms of resource conservation and in combating climate change by lowering greenhouse gas (GHG) emissions.

To drive energy use reductions, we established a new sustainability goal to reduce 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 (see EN16 indicator for GHG information), we will inspire and achieve reductions in energy use across our global sites. Efforts are already underway to achieve

our goal. In 2014, many sites implemented energy-efficiency initiatives to reduce energy usage and others began to transition to renewable energy sources. Read stories about some of our [2014 successes](#) or visit the EN16 indicator for further examples.

On a company-wide basis, we piloted an Eco-Efficiency Easy Tool in 2013 at sites around the world. In June 2014, an improved Eco-Efficiency Easy Tool was launched at 22 sites across all regions of the world. This semi-automated Excel worksheet was developed to enable our sites to evaluate and select best practices in energy reduction, water use and waste minimization. To make its use and administration easier, a web-enabled version of the Tool has been developed, with initial release planned for mid-2015.

To date, every one of the 22 Xylem sites now using the Eco-Efficiency Easy Tool has established a “green team” that developed a documented Eco-Efficiency plan identifying selected actions to be implemented, responsible persons and completion dates. By the end of 2014, nearly 300 energy, water or waste activities were identified and work is proceeding. To incentivize the program, facilities are hosting recognition events, creating team t-shirts and holding other team-building events to strengthen team identity and work towards a common goal.

In addition, the “green office” checklist (as described in the EN1 indicator) provides a similar focus on best practice identification within “office” environments. Such best practices include thermostat control, motion sensor light switches and non-essential computer equipment shutdown at the end of the workday.



Energy-Efficient 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 2014 our products and solutions were recognized by external parties for bringing forward innovative energy-efficient solutions to solve water. Read stories about our [energy-efficient products](#) or visit the 2.10 indicator for further examples.

One of our new sustainability goals in this area aims to improve the energy efficiency of specific Xylem product lines, including Transport, Applied Water Systems and Dewatering products. This goal addressed Xylem’s largest area of environmental impact by reducing energy usage and lowering operating and life cycle costs for our customers. Quantitative measures for percent increases in product efficiencies will be established in 2015, and the measurement period is expected to be 2015 to 2020.

A secondary sustainability goal in this area aims to increase our Vitality Index by 2 percent per year to drive product innovation and efficiency. 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.



Indirect Energy Reduction Initiatives

See EN6 indicator



Water Withdrawal

Definition	2013	2014
Total Water Withdrawal (mega-liters)	418.8*	401.2

* A review of historical data resulted in an upwards restatement for 2013.

In 2014, Xylem achieved a more than 4 percent decrease in water withdrawal (usage). This reflects our commitment to achieving our new sustainability goal of reducing water use at Xylem sites by 25 percent by 2019 from our 2014 baseline level. By reducing the operational water usage in our own operations, we can better support our goal of water leadership in the industry.

As part of this 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 are using the Global Water Tool, developed by the World Business Council for Sustainable Development (WBSCD), to help us determine which Xylem sites are operating in water-stressed or water-scarce areas. In 2014, we continued our work to identify sites that are operating in water-stressed areas and implemented our Eco-Efficiency Easy Tool (as discussed in EN5) at several of our sites in water-stressed areas.

However, we aren't 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. In addition, the "green office" checklist (as discussed in EN1) aims to help our office environments track and determine methods to reduce water use. Potential methods include purchasing water-efficient toilets and dishwashers and designating a person to report any sink leaks to accelerate the repair process.

Read stories about [successful 2014 water-reduction efforts](#) at Xylem sites throughout the globe.

To maintain momentum with our water-reduction efforts, Xylem will endorse the CEO Water Mandate and its six core elements in 2015. The CEO Water Mandate "seeks to build an international movement of committed companies, both leaders and learners, interested in addressing the global water crisis." The six core elements focus on direct operations, supply chain and watershed management, collective action, public policy, community engagement and transparency. Our water-reduction sustainability goal is aligned with the goals of the Mandate and its six core elements.

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 EN8, we are using the Global Water Tool developed by the WBSCD 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 97 percent of our sites. We are in the process of further analyzing the data from the Global Water Tool and focusing our water-reduction efforts at facilities located in areas with current or near-term projected water scarcity.

In addition, we established sustainability goals to advance our advocacy for sustainable water policies worldwide. Visit the SO5 indicator for additional details.

EN10

Reused and Recycled Water

Definition	2013	2014
Total Volume of Water Recycled and Reused (mega-liters)	19.1*	9.0
Total Water Recycled and Reused/ Total Water Withdrawal (%)	4.57%	2.24%

* A review of historical data resulted in an upwards restatement for 2013.

In 2014, Xylem recorded a 53 percent decrease in the total amount of water we recycle or reuse. Part of this decrease can be attributed to the overall decrease in water use in 2014. For more information, visit the EN8 indicator. The Eco-Efficiency Easy Tool (as discussed in EN5) will be used to identify and implement potential areas for the reuse and recycling of water.

In addition, we recently published a white paper to help companies in the food and beverage industry understand how water reuse can reduce supply risk, water use and expenses, while meeting sustainability goals. The paper explains how to deploy water reuse technologies, including which elements should be considered when investing in a system.



Locations in Protected Areas

Xylem has no sites located within or in close proximity to environmentally protected areas.



Impact on Protected Areas

As a company, Xylem does not work directly to preserve or increase biodiversity in protected areas or other areas where there are high levels of biological diversity, but our products are regularly employed by customers and users around the world for these types of important habitat-protection efforts.



Habitats Protected/Restored

See EN12 indicator



Biodiversity Strategies

A number of our sites have built biodiversity improvements into their business-related actions. In the process of building biodiversity—or biological diversity—they are improving the health and sustainability of the ecosystems near their operations.

In Emmaboda, Sweden, wetland ponds that use sedimentation and denitrification to clean storm water runoff from the facility continue to be used as breeding habitat for local bird species. Xylem understands the importance of wetlands on breeding, feeding, and nesting in sustaining bird and other fauna and flora populations and continues to maintain the wetland habitat.



Impact on Extinction Risk Species

Not applicable



Total Greenhouse Gas Emissions

Definition	2013	2014
Direct GHG Emissions (metric tons carbon dioxide equivalent (CO ₂ e))	38,076*	39,049
Indirect GHG Emissions (metric tons CO ₂ e)	42,754*	42,984
Total GHG Emissions (metric tons CO₂e)	80,829*	82,033
Total GHG Intensity (metric tons CO₂e / annual revenues in millions USD)	21.07*	20.95

* A review of historical data resulted in an upwards restatement of greenhouse gas emissions for 2013.

Despite a less than 2 percent increase in absolute greenhouse gas (GHG) emissions in 2014, Xylem saw a slight decrease (less than 1 percent) in GHG intensity. 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.

We have established a new sustainability goal to reduce our Scope 1 and 2 GHG emissions intensity by 20 percent by 2019 compared to our 2014 baseline.

We break down our GHG emissions into two segments—direct and indirect GHG emissions—and report on them individually, per the Global Reporting Initiative G3 guidelines. 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, and indirect emissions as those resulting from the generation of electricity, heating and cooling, or steam generated offsite but purchased by Xylem.

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. In addition, we track our procurement of renewable energy credits. Xylem facilities in Emmaboda, Sweden; Montecchio, Italy; the Netherlands; Strzelin, Poland; Pelham, Alabama, Sundbyberg, Sweden and Yellow Springs, Ohio have procured renewable energy credits of more than 54,000 MWh. Estimated GHG emissions avoided through this purchase equate to approximately 5,339 metric tons CO₂e.

In addition to operations, we have begun to look at GHG emissions generated from business travel. In 2014, we expanded calculation of our employee business travel GHG emissions from air travel only to include rental vehicles, including cars and light-duty trucks. The air miles traveled and the rental car data was obtained from our corporate travel booking system and reflects the majority of business travel at Xylem. We used the Simplified GHG Emissions Calculator (Version 3.2, June 2014 version) available on the [Environmental Protection Agency website](#) to estimate these emissions at approximately 4,961 metric tons CO₂e.

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.



Indirect Greenhouse Gas Emissions

See EN16 indicator

EN18

Greenhouse Gas Reductions

As part of Xylem’s work to address climate change issues caused by greenhouse gas (GHG) emissions, we made a strategic commitment to reduce our direct and indirect GHG emissions by 20 percent by 2019 as compared to our 2014 baseline. From 2013 to 2014, our GHG intensity declined by less than 1 percent, which we see an indication that our efforts, including our Eco-Efficiency Easy Tool (as discussed in EN5), are moving us in the direction needed to achieve our five-year goals. Moving forward, we are focusing on achieving increased efficiencies, through the wider use of Eco-Efficiency Easy Tools and other action, and we are confident that we will see improved reductions in GHG emissions. Read stories about some of our [2014 successes](#) at Xylem sites around the world.

EN19

Ozone-Depleting Emissions

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.

EN20

Other Significant Air Emissions

Volatile Organic Compound Emissions	2014
Volatile Organic Compound Emissions (metric tons)	110

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 volatile organic compounds (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 in Emmaboda, Sweden, made investments in new systems to burn VOCs and reuse heat from its painting process.

Xylem believes tracking our VOC usage will increase efforts to reduce these emissions, which increase ozone and smog levels and have been shown to cause public health issues. In 2014, we began collecting VOC emissions data from across our operations for the first time, thus we are not able to provide prior year comparative data at this time.

EN21

Total Water Treated and Discharged

Water Discharge	2013	2014
Wastewater Treated and Released (mega-liters)	76.6*	79.4

* A review of historical data resulted in an upwards restatement of data for 2013.

In 2014, we saw a less than 4 percent increase in the amount of wastewater we treated and released back into the environment. Visit EN25 for more information on wastewater treatment at Xylem.

EN22

Total Waste Disposal

Waste by Type and Disposal Method	2013	2014
Non-Hazardous Waste Recycled	15,258*	22,022
Non-Hazardous Waste to Non-landfill	1,759*	2,839
Non-Hazardous Waste to Landfill	9,018*	5,003
Total Non-Hazardous Waste	26,035*	29,863
Hazardous Waste Recycled	186*	187
Hazardous Waste to Non-landfill	504*	533
Hazardous Waste to Landfill	120*	103
Total Hazardous Waste	809*	823
Total Waste Recycled	26,844*	30,686
Total Waste	15,443*	22,209

* A review of historical data resulted in an upwards restatement of data for 2013.

In 2014, Xylem recorded more than a 44 percent increase in the amount of total waste recycled, largely driven by an increase in the non-hazardous component of waste. The amount of hazardous waste recycled remained relatively flat.

Additionally Xylem reduced the waste it sends to landfill by more than 44 percent from 2013 to 2014.

Our goal is 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. Our new sustainability goal aims to reduce waste-to-landfill rates by 20 percent by 2019 compared to our 2014 baseline.

The Eco-Efficiency Easy Tool (as discussed in EN5) will help facilities track and determine methods to reduce waste. So too does our new "green office" checklist (as described in EN1). Waste reduction methods may include using reusable cups, dishware and utensils for events and meetings, providing a dish-washing area to support the use of reusables, and using refillable pens and tape dispensers. At one facility, a large LED TV was installed to replace various manual display boards, eliminating the use and disposal of paper within the office environment.

Read other stories about [successful waste reduction efforts](#) at Xylem sites throughout the globe.

EN23

Significant Spills

Spills and Releases	2013	2014
Reportable Releases (incidents)	2	1
Amount Released (pounds)	908	70

In 2014, we experienced a release of 70 pounds of refrigerant at our Cheektowaga, New York site. No fines or notices of violation were issued by state or local regulatory agencies.

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 ESH coordinators throughout Xylem with additional prevention and response education.

Our new sustainability goal aims for Xylem to achieve 100 percent compliance at all our sites; see EN28 for more details.



Hazardous Waste Disposal

See EN22 indicator



Impact of Water Discharges

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 will increase threats to human health, economic activity and water security. With only 20 percent of global wastewater currently being treated, low-income countries are 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.



Environmental Impacts of Products

The end purpose of many Xylem products is to help customers “solve water”—either by improving water conservation through recycle and reuse systems, improving water and wastewater quality through treatment solutions and analytical instrumentation, or both. By their very design, these Xylem products have a positive environmental impact.

We are also investing heavily in research and development to bring customers highly energy-efficient products. Xylem’s strategy is to offer the lowest life cycle cost products, which are energy efficient and require minimal maintenance. To this end, we invest in research and development to reduce the greenhouse gas (GHG) emissions and energy consumption of our products.

Since approximately 98 percent of the environmental impact for pumps and mixers are related to energy consumption in the usage phase, we measure Average Efficiency of Sold Products for the two Xylem Growth Centers, Transport and Treatment, that make up more than 50 percent of our annual revenues. In 2014, the average efficiency of these products was 61.3 percent, up 2 percent since 2009. Over the lifetime of the products we sell annually in these two Growth Centers, we estimate this 2 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. We are working to finalize our goal to improve the average efficiency of these sold products.

To better understand the full life cycle impacts of our innovations on global GHG mitigation, we commissioned a study in December 2014 to calculate the total GHG abatement potential—and associated social and financial costs—of more efficient pumps and new processes. Pumps are significant contributors to global energy consumption, and the resulting GHG emissions, so improving pumping efficiency has a big impact on the environment and climate change.

This study is set to be completed in mid-2015, and we expect it will influence our product innovation strategy.

We have established new sustainability goals to reduce the environmental impact of our products. These goals address product innovation and efficiency. For additional details, see EN6.



Recycled Products/Packaging

We don't formally track the number or percentage of recyclable products and packaging created at Xylem. However, we manufacture and sell products that contain metals and other materials that can be recycled, and some of our packaging, too, is designed for recycling purposes.



Environmental Fines

In 2014, Xylem incurred no significant fines for noncompliance with environmental laws and regulations. Our new sustainability goal aims 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.



Transportation of Products/People

Currently, Xylem does not track the total shipping distance or trips required to distribute our products to customers or from our suppliers. However, Xylem sites continually assess the best ways to transport our products, from a cost and environmental sustainability standpoint.

Our dewatering operation in Bridgeport, New Jersey, is transitioning its sales and delivery vehicle fleet to trucks with increased fuel efficiency and certified clean idle controls. This reduced CO₂ emissions by more than 1 million pounds in 2014.

In 2014, we continued to utilize technology and creative approaches to reduce unnecessary business travel, including the rollout of the "green office" tool (described in EN1). We also began tracking greenhouse gas emissions from rental car usage in addition to air travel. It is our hope that our efforts will raise awareness across the organization and encourage innovative solutions that could minimize our need for this type of travel in the future. See the EN16 for more information.



Environmental Protection Expenditures

Xylem continues to build a robust Environment, Safety & Health (ESH) organization that ensures our company—and our employees—are taking accountability for environmental protection. Today, we have more than 250 full and part-time ESH professionals working at Xylem, and we invest in staffing, training and annual regional meetings to ensure we have a team that is up-to-date on the latest regulations and best practices.

We don't track our ESH expenditures at the corporate level, but all of our larger sites have ESH budgets in place.

Xylem also invests in existing and legacy sites—no longer owned by Xylem—that require remediation efforts to ensure they are environmentally safe. Our expenditures in this area are outlined in our 2014 annual report.

Labor Introduction

For our global employees, we strive to provide meaningful developmental opportunities and safe, healthy workplaces, which allow them to feel engaged, inspired and aligned with Xylem's vision and goals.

LA1

Total Workforce

Xylem has approximately 12,500 employees worldwide. 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.

LA2

Employee Turnover

We do not currently track employee turnover at the corporate level. Xylem is in the midst of a multi-year effort to build a Human Resources Information System (HRIS) that will provide us with these data on a global basis in the near future.

LA3

Employee Benefits

As a global company, Xylem provides comprehensive benefits coverage to employees through different types of employee benefit plans in different countries. Typically, these plans are provided to full-time employees and are consistent—in terms of paid time-off policies and insurance coverage for disability, life, medical and dental—with comparable, locally relevant benefit plans offered in the various markets. We generally do not offer insurance benefit plans to part-time or temporary Xylem employees.

LA4

Collective Bargaining Agreements

Xylem has a number of employees around the world who are members of unions or work councils, but we don't currently track the percentage of employees covered by collective bargaining agreements on a global basis. Approximately 17 percent of our 3,700 U.S.-based employees are represented by labor unions.

LA5

Notification About Operational Changes

Not tracked

LA6

Health and Safety Committees

Our locations are required to implement the Xylem Environment, Safety & Health Management System, which conforms to OHSAS 18001 and ANSI Z10 standards for occupational health and safety. To date, 25 Xylem sites have been OHSAS 18001 certified.

To help us achieve these certifications, and to meet our beyond-compliance requirements for workplace safety, Xylem has health and safety committees in place at all of our operating sites. These committees typically consist of employees and management, and their purpose is to provide an open forum to discuss the implementation of programs, the status of incidents and near misses, and to review open action items. In addition, committee members are part of our business continuity planning and crisis management teams at each site.

The committees also develop and manage proactive projects such as safety message calendars, risk profiling, health and wellness fairs and safety games. The goal of all these activities is to identify and eliminate potential risks, and ensure employees are active participants in this effort.

Our new sustainability goals include efforts to improve employee engagement on sustainability. Although sustainability is not the sole driver of employee engagement, one of the main reasons sustainability is a priority is its potential to engage existing employees and attract new talent that will advance our industry leadership position. To measure our progress against these goals, Xylem will begin to track the number of sustainability communications to employees, employee perception ratings, and the percentage of sites with a “green team” that is implementing the Xylem Eco-Efficiency Easy Tool (as detailed in EN5).

With our “Accept Only Zero” workplace safety program, we expect employees to accept responsibility and accountability for occupational health and safety issues and concerns. The health and safety committees serve as a medium to direct concerns and expectations from leadership to the workforce and vice versa.



Workplace Safety Metrics

Definition	2013	2014
Injury Frequency (Medical + lost workday cases x 200,000 / number of hours worked)	2.0	1.51
Injury Severity (Lost workday x 200,000 / number of hours worked)	39.4	22.8

Our online Metrics for the Environment, Safety & 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 2013 to 2014, the injury frequency rate decreased by 11 percent to 1.51, and the injury severity rate decreased by 5 percent to 22.8

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 2014, Xylem acted to address safety. 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. Read about [safety improvement efforts](#) at Xylem in 2014.

LA8

Health Programs

Xylem provides employees with a number of health and wellness programs, which vary depending on the country where the employee works. These programs include health risk assessments that provide employees with a personal health profile and information on nutrition, fitness and healthy living and a free Employee Assistance Program that provides professional and confidential counseling to help employees and their family members navigate personal, family or work problems.

Xylem has taken many steps to engage employees in healthier lifestyle habits and to increase employee engagement. At our global headquarters, every employee has an adjustable desk that provides the option of standing while working, and healthier food is provided at meetings and in break areas. Many Xylem locations have launched health-related activities for their employees, including yoga at lunch, running and walking groups, onsite Weight Watchers programs, and online employee wellness challenges.

In 2014, we continued offering biometric screenings to make our health and wellness programs more comprehensive. Employees provide saliva and blood samples, which give baseline data about their health and identify any current or potential medical issues. When combined with a health risk assessment, these screenings give employees reliable information about their risk for chronic preventable diseases such as diabetes, heart disease and hypertension, and help them identify a path for disease prevention.

LA9

Health and Safety Agreements

Not applicable

LA10

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 2014, 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, Lean Six Sigma, career and leadership development.

In addition, each Growth Center provides technical and product training unique to each product portfolio. 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.

LA11

Continuing Education

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.



Performance Reviews

Through our Partnership for Performance (PfP) system, we offer employees an annual performance assessment with their direct supervisor to guide their development at Xylem. In 2014, we introduced a performance rating system to provide a mechanism to differentiate our people's performance. For 2014, Xylem completed assessments for 94 percent of all employees.



Workforce Diversity

The Xylem Code of Conduct makes clear our company's commitment to inclusion and diversity and our disallowance of employment-related decisions based on age, color, gender or any other legally protected personal basis.

We do not currently track workforce diversity on a company-wide basis. We are in the midst of a multi-year effort to build a company-wide Human Resources Information System (HRIS) that will provide us with these data in the near future.



Salary by Gender

Not tracked

Human Rights Introduction

Xylem is committed to identifying, preventing and addressing actual or potential human rights impacts within our sphere of influence. The fundamental tenets for our company are embodied in Xylem's Vision and Values, and are reinforced in the Xylem Code of Conduct. This is a global code—the same standards apply anywhere in the world regardless of local laws or customs. Furthermore, our Human Rights policy applies to all Xylem employees and we expect that all those who are affiliated with Xylem to adhere to the highest standard of ethical conduct.



Human Rights Agreements

At Xylem, many of our agreements with distributors, joint venture partners and other consortiums include human rights clauses and/or language.



Human Rights Supplier Screenings

At Xylem, our suppliers are not just business partners, they are sustainability partners. We engage with them to ensure their products, practices, materials and services advance our sustainability efforts. This engagement includes a review of all applicable suppliers to make sure they aren't providing us with parts and components that contain "conflict minerals" from the Democratic Republic of Congo or surrounding countries that are mined to help fuel war and human rights violations. View our [Conflict Minerals Disclosure](#) filed with the SEC in May 2015.

We do not conduct formal human rights screenings of our suppliers, but we do have a Supplier Code of Conduct, translated into 18 languages, which requires suppliers to adhere to social, ethical and environmental principles that are consistent with Xylem's values. In the area of human rights, our Code makes it clear that Xylem suppliers will not employ child labor, participate in human trafficking, use forced labor or purchase materials or services from companies that use forced or slave labor.



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 2014, and a significant percentage of our total workforce received either online or offline Code training. 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.



Incidents and Actions

Ethics and Compliance Reporting	2011	2012	2013	2014
Concerns Raised (through Xylem's complaint-handling and resolution process)	45	74	80	62
Reported Cases Investigated and Substantiated	100%	100%	100%	100%
Cases Resolved (through policy changes, training, reprimands and/or terminations)				

The number of concerns raised through our complaint-handling and resolutions process, which encompasses human rights issues, has increased by 38 percent since its introduction in 2011. All reported cases are investigated, which engenders employee trust in the process.



Freedom of Association

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

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



Forced and 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.



Security Personnel Training

Not applicable



Indigenous Rights

In 2014, and throughout our company's history, Xylem has not had an incident or violation involving the rights of indigenous people.

Society Performance Introduction

With our global presence, Xylem aims to serve as a positive influence in the communities where we operate and where our employees live, demonstrating by our actions that ethics, risk management and global citizenship are priorities for our company.



Community Impact

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 education to schools and communities in developing markets. 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. Since 2008, Xylem Watermark has improved the lives of more than 2.8 million people through five strategic partnerships in more than 25 countries.

With our new sustainability goals, we aim to increase the impact of Xylem Watermark via nonprofit investments 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 target to increase year-over-year employee contributions to our nonprofit partners by 10 percent.

We also set a new sustainability goal to increase employee engagement 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 set an example for all employees. Through this and other efforts, we expect to increase employee engagement and inspire more active participation at all levels in Xylem Watermark projects. Read more about our [Xylem Watermark efforts in 2014](#).

In addition to Xylem Watermark, we have an impact on our communities as an employer. As our company grows and evolves, our operational footprint will continue to change. When we enter a new community, we conduct due diligence to ensure it is a good fit for our company. Similarly, if we have to exit a facility, we provide clear, timely and transparent communications to all affected groups—including impacted employees, regulatory authorities and community neighbors.



Corruption Risks

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 quarterly.



Anti-Corruption Training

On an 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, more than 90 percent of eligible employees took part in online or in-person Code training.

The Xylem Anti-Corruption Manual is also available in nine languages for all employees to access on our company portal, and our Anti-Corruption Policy is available in 22 languages.

In addition, designated employees who are involved in Finance, Legal, Compliance and International Sales & Marketing are provided with additional, in-depth anti-corruption training that includes specific guidelines about the approval process for gifts, hospitality and travel. In 2014, more than 6,000 employees participated in this training, which took place at various company sites in Latin America, China, Russia, India, Greater Asia Pacific, the U.S. and Europe, and were also conducted via WebEx.



Anti-Corruption Actions

Xylem's Ethics and Compliance Issue Resolution Policy requires the prompt and thorough investigation of all allegations of corruption.



Public Policy and Lobbying

Increasingly, water issues are showing up on the radar of government officials and legislative bodies around the world. As shortages escalate, so do conflicts over water rights and water usage. And as one of the world's water technology and thought leaders, Xylem has a role and responsibility to weigh in with informed and useful insights and ideas.

Our Xylem Sustainability Steering Committee, a group that includes representatives from many geographies, businesses and functions that meets monthly to guide our sustainability efforts and is led by a senior executive and sponsored by our CEO, coordinates our company's response to strategic public policy and regulatory issues.

From time to time, we engage informed resources to serve as Xylem's voice with politicians and legislators in the U.S. and in other regions of the world. In April, we participated in Water Week 2014, joining other water technology leaders in Washington, D.C. to advocate for clean water policies and initiatives, and to discuss key legislative, regulatory and legal water developments with federal regulators and members of the U.S. Congress.

Xylem's President and CEO Patrick Decker spoke at the pillar event of Singapore International Water Week (SIWW) 2014—the Water Leaders Summit—which brings government, world organizations and industry leaders together with the common goal of addressing global challenges through policymaking and thought leadership.

As part of our new sustainability goals, we aim to position Xylem as a leading advocate for sustainable water policy worldwide. We will continue to participate in and influence industry discussions with policymakers, opinion leaders and influencers. Success will be measured by the number of visible leadership roles in industry organizations and the number of speaking engagements at industry thought leadership events.



Political Contributions

Xylem does not make political contributions. Our company does not have its own political action committee (PAC) and does not currently support any third-party PACs.



Anti-Trust Incidents

In 2014, Xylem had one anti-trust incident that is outlined on page 94 of our 2014 [Form 10-K](#).



Non-Compliance Fines

In 2014, Xylem had one significant non-compliance fine that is outlined on page 94 of our 2014 [Form 10-K](#).

Product Responsibility Introduction

We take responsibility for the safety and sustainability of our products from their initial design to their end of life.



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 Health and Safety Incidents

On a quarterly basis, the Xylem Product Safety Steering Committee reviews all product safety-related incidents at a corporate level to track their management and share best practices within our company. At Xylem, a product safety-related incident must meet all the following criteria:

- The use of the product is within the Xylem-defined scope of application and as per the instruction manual
- The root cause is within the control of functional areas responsible for the product's application
- The incident has a worst case hazard criticality, or a medium-to-high hazard criticality combined with a medium-to-high hazard occurrence

Beginning in 2015, we will begin tracking product safety-related incidents on a global basis, and begin reporting on the metrics in 2016.



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 in accordance with the international standard ISO 14025, that provides environmental data about the product, including content declaration.



Labeling Non-Compliance

Not tracked



Customer Satisfaction Measurement

Currently, there is not one blended Xylem metric or target for customer satisfaction. Rather, we track customer satisfaction at the Growth Center and Commercial Team level.

In 2014, under the leadership of Xylem's Chief Marketing Officer and based on research of industry best practices, we continued deploying our method of measuring and analyzing customer satisfaction through the use of Net Promoter Score (NPS) across our business. 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. Further, we ask respondents the reasons for their score, and these responses provide us with insights and ideas for improving our customers' experiences.

Currently, the NPS method is used by two of our Growth Centers and across our EMEA region Commercial Team. Together these comprise more than 60 percent of Xylem's revenues. The remainder of Xylem's global business will adopt the NPS methodology during 2015. By combining the most recent NPS scores and global customer satisfaction survey scores, we estimate that 70-80 percent of Xylem customers are "satisfied clients." In the 2016 report, we will be able to roll up the NPS scores from all Growth Centers and Commercial Teams to provide a more consistent and comprehensive customer satisfaction measurement for Xylem.



Marketing and Advertising

At Xylem, all marketing and advertising materials are reviewed by communications specialists, as well as product safety specialists in our Legal department. Reviews requiring additional expertise are directed to the appropriate internal or external contact.



Marketing/Advertising Non-Compliance

Not tracked



Customer Privacy

In 2014, Xylem had no complaints regarding the breach of customer privacy or loss of customer data.



Product Non-Compliance

In 2014, Xylem had no incidents or fines for non-compliance with laws and regulations concerning product use, product marketing or product advertising. In April 2015, we did file a self-disclosure report to the U.S. Environmental Protection Agency (EPA) about possible mislabeling of some of our dewatering pumps for use with non-road diesel engines instead of use with stationary equipment or for export purposes. The mislabeled pumps represented 15 percent of all our dewatering pumps manufactured in 2014 and the mislabeling did not result in any excess emissions into the atmosphere. As of June 2015, no fines or penalties have been assessed, and we are in the process of scheduling a meeting with the EPA to discuss the issue.

At Xylem we make every effort to look at product safety throughout the entire life cycle. When we are designing products at Xylem, we attempt to limit the hazardous substances used in their production without sacrificing quality or safety for our customers. In 2012, we formed a product safety review board at Xylem for each of our Growth Centers. These review boards assure new products are designed and launched in compliance with the latest safety and environmental considerations, and that legacy products are not only compliant with regional standards but also continuously improved.

Safety is one of the sustainability factors that we weigh during our research and development efforts. We train our R&D personnel on the key sustainability value drivers—including safety, life cycle costs and energy efficiency—that they need to understand and consider at the outset of our product design process. Training also includes personnel involved in our product development “stage-gate” process, so they can include sustainability as a factor in their product “go/no go” decisions.

The Xylem Sustainability Journey

At Xylem, our sustainability journey is well underway, and with each step forward we see opportunities to expand our horizons. As a company focused on a resource as critical as water, we remain committed to making sustainability a day-to-day priority throughout our business operations. It is this type of focus that that will enable us to produce more long-term value for all of our stakeholders.

This report is a snapshot in time of our sustainability progress. We're proud of what we've accomplished to-date and the progress we've made. Sustainability has no ending point. There is always more to know and to do, and we're looking forward to the seeing how much farther and faster we can go as our sustainability journey continues.



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