



Why We Solve Water

2016 SUSTAINABILITY REPORT

xylem
Let's Solve Water

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CEO MESSAGE



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

Solving the planet's water challenges has never been more urgent. The global population is growing – and with it, the need for fresh water. Migration to cities is increasing demand for reliable urban water infrastructure. And climate change poses threats to already stressed water resources.

The need to solve water is recognized directly through U.N. Sustainable Development Goal (SDG) number 6: ensure availability and sustainable management of water and sanitation for all. But solving water and sanitation issues can be viewed as a foundational challenge that can help accelerate progress on other SDGs. Few sectors have such broad impact on environmental, economic and social dimensions as water.

Consider these facts. One in three people experiences water scarcity at least one month per year. Children worldwide miss more than 440 million days of school each year due to water-related illnesses. Furthermore, the burden of acquiring water falls disproportionately to women and children, exacerbating gender inequality and preventing those children from attending school. In some communities, nearly a third of treated water is lost before it reaches users due to faltering infrastructure. Meanwhile, the economic costs of water-related disasters are rising steeply as storm severity increases and the need for more resilient infrastructure grows.

Using Water, Smarter

At Xylem, we believe that technology is a key link in how the world can solve water. We have a long history of innovation, but today, we're focusing more than ever on the powerful capabilities of smart technology, integrated management and big data. These solutions will allow us to transport, treat, test and use water smarter – and more sustainably – than in the past. The "Internet of Things" has arrived in the water sector, and Xylem is ready to use it to help our customers work more efficiently, reduce their own environmental impact and together build more resilient communities.

That's why we're investing in research and development at our highest levels ever, and committing to more innovation in the years

ahead. We also upped the goal of our Vitality Index – the percentage of our revenues from products released in the past five years – from 25 percent to 30 percent by 2020. These commitments are paying off with new products like Flygt Concertor™, the world's first intelligent wastewater pumping system. While other pumps routinely get sidelined by clogs, the Flygt Concertor automatically senses and adapts to its environment, using only as much energy as necessary to keep water moving.

We're also acquiring smarter solutions, building a broader portfolio of offerings that address our customers' most significant challenges across many different industries. In October of 2016, we acquired Sensus, a leader in smart metering, network communications and advanced data analytics. With 80 million meters installed globally, the addition of Sensus' capabilities is a major step forward in enabling us to provide customers with greater intelligence about their operations in the water, electric and natural gas utility sectors.

We also acquired Visenti, a relatively smaller but highly strategic acquisition that provides services for intelligently managing water networks. Both Sensus and Visenti help address the challenge of "non-revenue water" – that is, treated water that is lost or not paid for due to leaks, theft or lack of effective metering. Sensus' smart metering and remote monitoring capabilities help customers track this valuable resource more effectively. And Visenti solutions enable real-time monitoring of changes in water pressure in utilities' networks, which allows them to address leaks or other potential issues in real time. In this way, customers can optimize their capital expenditures by avoiding major losses or catastrophic failure, and extending asset life. Innovations like these are helping our customers – and in turn, their communities – become more sustainable.

Finally, we have expanded our capabilities in ocean and coastal monitoring with the additions of our Tideland and Hypack businesses. They provide an array of smart analytics solutions and software that enable a variety of marine and

environmental monitoring capabilities. With these businesses, we have brought together distinct products and services to build intelligent systems capability and significantly expand the market we serve.

Doing Our Part

Solving water takes all of us, which is why Xylem is also practicing what we preach. We have set a goal of reducing our water intensity by 25 percent by 2019 relative to 2014 levels. Thanks to improvements in water collection and reuse at our facilities, with a special focus on high-consumption sites and those in extreme water scarcity areas, we have already decreased water intensity by nearly 10 percent.

Xylem has also set goals for reducing our greenhouse gas emissions and waste sent to landfills. Employee-driven improvements, upgrades to our fleet, increased recycling efforts and recommendations identified through our proprietary Eco-Efficiency Easy Tool are helping us make meaningful progress toward our goals.

We have also committed to the 10 principles of the U.N. Global Compact, which calls on companies to align their strategies and operations with universal principals on human rights, labor, environment and anti-corruption, and to advance societal goals.

An Engaged Workforce

We believe that a responsible business is one in which employees are proud to work and have the tools and opportunities to reach their full potential. Our employees serve customers facing a wide assortment of water challenges, from communities in emerging markets delivering clean drinking water for the first time, to modern cities expanding their infrastructure to meet the needs of a growing population to businesses and industrial operations that need the most efficient solutions to use and treat water sustainably. With such a varied customer base, it makes sense that our workforce is diverse too. The Xylem team includes 16,000 individuals who understand that while water is universal, applications and solutions are often highly local. In our training and development efforts, we make sure that we're growing leaders from all backgrounds to meet the needs of our global customer base.

Creating a safe environment, both within the walls of our facilities and out on job sites, is a core imperative at Xylem. In the past three years, we've made safety a top priority, and in that time, have reduced accidents almost by half. Through initiatives like our Safety Scorecard and Get Well program, we're making progress toward becoming a sustainably safe workplace. But there's plenty more to do. Safety knows no calendar. It doesn't matter how well we did yesterday; it's what we do today and tomorrow that counts.

I'm immensely proud of all the work that our colleagues do every day. But it has been particularly inspiring to witness their growing commitment to solving water through Xylem Watermark, our signature corporate citizenship initiative. Watermark began as a program focused on community development in emerging regions of the world, with projects completed in cooperation with our global, nonprofit partners. In 2016, we significantly expanded Watermark to encompass volunteering and local engagement opportunities in our local communities, providing an avenue for more of our colleagues across Xylem to get directly involved in Watermark activities. Those local opportunities include water source cleanups, walks for water and water education programs. To kick off this initiative, we pledged to deliver 100,000 volunteer hours in water-related activities over three years. In the first year of this effort, Xylem employees logged 21,000 volunteer hours and have shared feedback on ways they'd like to get even more involved.

Our journey is in the early days. Despite our significant progress, intractable water challenges remain. For a company with sustainability at its core, I'm pleased – but not surprised – that Xylem is constantly finding ways to improve. By exploring energy- and water-saving innovations, optimizing our own operations and harnessing the talents of our people, we'll continue to help our customers and communities worldwide make smarter, better use of our world's most precious resource.



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

Xylem At-A-Glance

We are a leading global water technology provider helping our customers address their most challenging water and wastewater problems. Our name is derived from classical Greek and is the tissue that transports water in plants. This name highlights the engineering efficiency of our water-centric business by linking it with the best water transportation of all – that which occurs in nature.

\$3.77
BILLION

2016 revenues

\$6.47
BILLION

total assets

~16,000
EMPLOYEES*

HEADQUARTERS
**RYE BROOK,
NEW YORK,
USA**

150

COUNTRIES
where we sell

48

COUNTRIES
where we operate

19

COUNTRIES
where we manufacture
and assemble products

WE PARTICIPATE IN EACH OF THE WATER INDUSTRY'S CORE APPLICATIONS:



TRANSPORT

Moving raw water from natural sources to treatment facilities and moving wastewater from its source to wastewater treatment facilities



TREATMENT OF WATER

Treating water to make it safe to use and treating wastewater to make it safe to reuse or return to the environment



TEST

Ensuring water meets requirements for use by customers or discharge into the environment, and ongoing monitoring of surface water and coastal environments



MONITORING & DATA ANALYTICS

Using smart metrology and networked communications to optimize distribution networks for the delivery of water, electricity and natural gas, and provide data analytics



USE

Putting water to work in industrial, commercial building, residential and agriculture applications

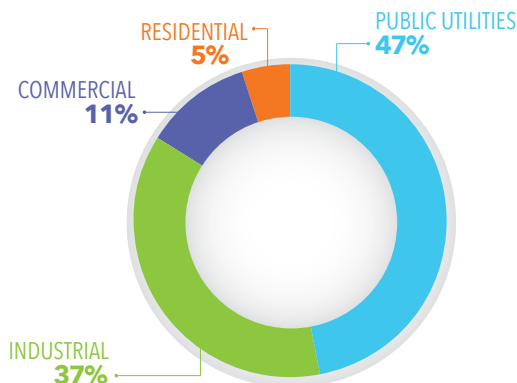
PRODUCTS

- Pumps and accessories
- Wastewater and water treatment solutions, including filtration, ozone, ultraviolet and biological systems
- Analytical instrumentation
- Monitoring and control systems
- Water pressure boosting systems for multiple applications
- Smart metrology for the water, electric and natural gas sectors
- Network communications for water, electric and natural gas distribution networks
- Advanced data analytics

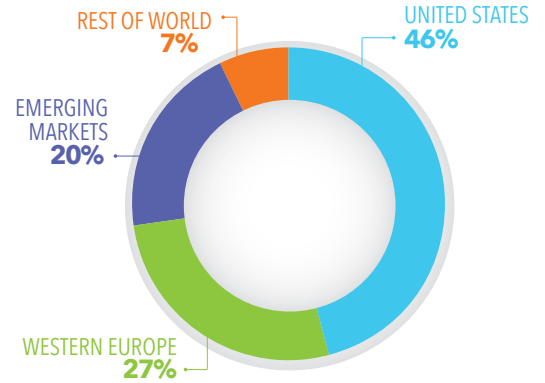
BRANDS

- Aanderaa
- AC Fire Pump
- Bell & Gossett
- Bellingham + Stanley
- ebro
- Essence of Life
- Flojet
- Flowtronex
- Flygt
- Global Water
- Godwin
- Goulds Water Technology
- HYPACK
- Jabsco
- Leopold
- Lowara
- MJK
- McDonnell & Miller
- OI Analytical
- Rule
- Sanitaire
- Sensus
- SI Analytics
- Smith-Blair
- SonTek
- Standard Xchange
- Steady
- Tideland
- Visenti
- Wedeco
- WTW
- YSI

SALES BY INDUSTRY**



SALES BY GEOGRAPHY**



*This number is as of Dec. 31, 2016

**Based on Xylem Pro Forma 2016 Revenues

Goals & Progress

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

The goals continue to be incorporated into our business operating planning process, and progress is evaluated through various measures, including our goal deployment process. In the spirit of continuous improvement, we are reviewing the best ways to track our progress against some of the harder-to-measure metrics. Below shows our progress as of the end of 2016:

OFFERINGS

GOAL

Improve product energy efficiency of specific Xylem product lines

PROGRESS

0.4% decrease in average product efficiency since 2015; 2.6% improvement since 2012

GOAL

Increase Vitality Index (percentages of sales from products launched in the past five years) to 30% by 2020 to drive product innovation and efficiency; following the acquisition of Sensus, we increased our Vitality Index 2020 goal from 25% to 30%

PROGRESS

19% of sales (excluding Sensus) are from products launched in the past five years

OPERATIONS

GOAL

Reduce Xylem water use by 25% by 2019*

PROGRESS

9.2% reduction in water usage intensity

GOAL

Reduce greenhouse gas (GHG) emissions intensity by 20% by 2019*

PROGRESS

15.7% reduction in GHG intensity, net of renewable energy

GOAL

Reduce waste sent to landfill by 20% by 2019*

PROGRESS

43.6% reduction in total waste to landfill

GOAL

Reduce injury frequency rate to less than 0.5 and injury severity rate to less than 6.0 by 2019*

PROGRESS

Injury Frequency: 0.93
Injury Severity: 18.16

GOAL

Achieve 100% environmental compliance at all manufacturing and service sites

PROGRESS

Two environmental notices of violation (NOVs) without fines

* from 2014 baseline

EXTERNAL ENGAGEMENT AND ORGANIZATION & CULTURE

GOAL

Increase impact of Xylem Watermark®, our corporate citizenship program, through investments to nonprofit partners

PROGRESS

32% increase in new projects with our nonprofit partners

69% increase in employee contributions vs. 2015

GOAL

Increase employee involvement in Xylem Watermark® by 15% year-over-year

PROGRESS*

21,078 employee volunteer hours logged in MyWatermark in 2016*

GOAL

Position Xylem as a leading advocate for sustainable water policy worldwide

PROGRESS

Xylem continues to expand its work in advocating for sustainable water management policies. In 2016, the company co-convened a conference entitled “Disruptive Resilience: Chief Technology Officers Map America’s 2030 Water Future,” was invited to participate in the White House Water Summit, and conducted a statewide survey in California to better understand public perceptions about recycled water.

*All hours and volunteering are tracked with MyWatermark, our employee engagement interactive website; employee volunteer hours were not logged in previous years.

Sustainability Strategy

Our strategy to address economic, social and environmental topics starts at the top with our Board of Directors, and is implemented throughout the company with all employees helping to advance our sustainability practices and impact.

The Xylem Board of Directors has primary responsibility for overall risk and strategy oversight for the company, which includes areas that impact Xylem's sustainability efforts. The Board has delegated responsibility for direct oversight of the company's sustainability program to the Board's Nominating and Governance Committee, except for our offerings-related strategies, which are reviewed by the Finance, Innovation & Technology Committee. The Nominating and Governance Committee regularly receives updates on sustainability from management and provides updates to the full Board of Directors.

Our senior leadership team members, under the direction of our President and CEO Patrick Decker, lead growth centers, commercial

teams and functional areas with the intent of building an enduring and successful company. Increasingly, these areas are better integrating sustainability into their strategies to accelerate innovation, sell our products and services, and grow our business. Ultimately, our growth strategies are designed to position Xylem as a leader in the global water technology space.

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

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



Ultimately, our growth strategies are designed to position Xylem as a leader in the global water technology space.

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

Climate Change Impact

Climate change both positively and negatively impacts portions of our business in several ways.

According to research by the Intergovernmental Panel on Climate Change (IPCC), climate change will intensify risks associated with water availability and quality. Moreover, the

Xylem helps mitigate the effects of climate change by providing products that aid customers with water resilience issues such as flooding events and drought conditions. For example, Xylem's Analytics products can help communities prevent destruction of infrastructure when extreme weather events occur. The portfolio, which includes intelligent sensors, platforms and systems that measure water quality, level and flow, provides real-time information that can act as an early warning system to enable communities to prepare for emergent problems. In addition, our Godwin dewatering pumps are used to help remove and/or redirect unwanted water caused by natural disasters such as hurricanes



Drought conditions drive higher demand for pumps used in agricultural and turf irrigation applications

transport, treatment and use of both clean water and wastewater are significant sources of greenhouse gas emissions. Xylem's Climate Change Policy outlines our commitment to developing mitigation and adaptation solutions to the water-related challenges associated with climate change through our products, operations, corporate citizenship and social investment, and stakeholder engagement.

or floods. 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. We also provide treatment solutions to enable communities to recycle wastewater for direct and indirect potable water use. Water reuse is a proven approach that can help meet growing water demand, while safeguarding existing water supplies.

Recognition

External recognition provides useful progress markers on our sustainability journey. In 2016, Xylem's commitment to sustainability and our progress-to-date was recognized in a number of areas.

MSCI Global Sustainability Index Series
The FTSE4Good Index Series
The NASDAQ OM CRD
Global Sustainability Index
Euronext Vigeo Index: US 50
CDP Climate Change 2016 Disclosure
– B Rating Climate Change

Most Innovative and
Groundbreaking Product
VandTek Fair, Denmark
Flygt Concertor™

CDP Water 2016 Disclosure
– B Rating
2016 Pinnacle Award
Carolina's Associated General
Contractors (CAGC) convention for
work on the Northeast Interceptor
(NEI) Rehabilitation Phase Two project,
Wilmington, North Carolina

Best Product
iWater International Integrated Water
Cycle Show, Spain
Flygt Concertor™

Best Product
Accadueo International Exhibition, Italy
Flygt Concertor™

2016 RIONED Innovation Award
RIONED Foundation
Flygt SmartRun®

2016 100 Excellence Employer of China
For outstanding human resource
management, including employee
training, talent recruitment and retention,
and corporate social responsibility

Stakeholder Engagement

Xylem’s tagline is an inclusive invitation: Let’s Solve Water. Addressing the many water challenges our planet faces is a huge and vital undertaking that calls for collaboration and

teamwork. We utilize a variety of resources and tactics to create two-way communication channels with our many stakeholders.

The following table identifies many of our key stakeholder groups and summarizes how we engage each of them:

STAKEHOLDER GROUP	PRIMARY ENGAGEMENT CHANNELS
CUSTOMERS AND END USERS	<ul style="list-style-type: none"> White papers, case studies, voice-of-customer interviews, customer satisfaction surveys, webinars, <i>Impeller</i> customer magazine, news releases
EMPLOYEES	<ul style="list-style-type: none"> Consistent supply of news about Xylem’s performance across multiple dimensions, feedback channels on company intranet called Currents, Connect, Perform, Grow manager-employee appraisals, Ethics hotline and Code of Conduct (available in 26 languages), Xylem Employee Ombudsperson program, and employee training and development
SHAREHOLDERS	<ul style="list-style-type: none"> Annual report, quarterly earnings reports and webcast conference calls, news releases, and proactive shareholder outreach program on performance, plans, corporate governance and sustainability; company filings with the U.S. SEC; in September 2015, we also held an Investor Day
SUPPLIERS	<ul style="list-style-type: none"> Xylem Supplier Ombudsperson program, Supplier Code of Conduct (available in 18 languages) and Supplier Day events
LOCAL COMMUNITIES	<ul style="list-style-type: none"> Local operations outreach, Xylem Watermark field assessments and sponsorship of local community initiatives
CERTIFICATION AND REGULATORY AGENCIES	<ul style="list-style-type: none"> ISO- and OHSAS-certification audit and permit applications
ASSOCIATIONS AND NGOS	<ul style="list-style-type: none"> Memberships and partnerships with the UN Global Compact, Stockholm International Water Institute, Ceres, U.S. Water Alliance, Value of Water Coalition, U.S. Water Partnership, Business Roundtable, Bipartisan Policy Center, Wastewater Equipment Manufacturers Association, Smart Water Networks Forum Xylem Watermark partners: EarthEcho International, Mercy Corps, China Women’s Development Corporation, Planet Water Foundation, Water for People and Fundación Avina

At Xylem, we identify a key stakeholder group as one that is critical to our business and strategy and a core partner in our growth and sustainability efforts. We work to engage our key stakeholder groups regularly, as well as considering broader society by including stakeholders such as certification and regulatory agencies, sustainability and financial rating agencies, and associations and non-governmental organizations. We reach out to and engage our stakeholders in many ways, with a focus on our key stakeholders.

For Xylem employees who work around the globe, we regularly distribute communications and conduct town halls and webcasts on our business strategy and results, as well as many different issues and topics of interest. These are translated into multiple languages to help foster a “one company” culture.

For customers and end users, we publish news about our products and services through a variety of media channels, original research, white papers and case studies, and a customer-focused digital magazine *Impeller*. We also conduct voice-of-customer interviews and customer satisfaction surveys to learn more about their needs and their perceptions of our company and our products. In 2016, we rolled out the Net Promoter Score (NPS) tool as an additional means of measuring customer satisfaction.

We also collaborate with other business and industry leaders through a variety of forums. Xylem is a member of several water- and sustainability-related organizations, and we participate in and sponsor leading water-industry events.

Charters, Principles, Initiatives and Associations

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

- UN Global Compact
- American Business Act on Climate Pledge
- CDP (formerly Carbon Disclosure Project)

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

WATER INDUSTRY

- Hydraulic Institute
- Europump
- International Water Association
- Stockholm International Water Institute
- Water Environment Federation
- MAPI Sustainability Council and Environment, Safety & Health Council
- National Association for Environmental Management
- Value of Water Coalition
- Bipartisan Policy Center Executive Council on Infrastructure
- U.S. Water Alliance
- U.S. Water Partnership

- Fundación Avina
- China Women's Development Foundation
- EarthEcho International

SOCIAL/GOVERNANCE/ETHICS

- Society of Corporate Compliance and Ethics
- Ethics Resource Center Ethisphere
- Corporate Executive Board
- MAPI Ethics & Compliance Council
- National Association of Corporate Directors
- Society of Corporate Secretaries & Governance Professionals

RESEARCH AND ACADEMIC

- Singapore Public Utilities Board
- IVL Swedish Environmental Research Institute
- Masdar Institute of Science and Technology
- Massachusetts Institute of Technology
- Stanford University

WATER ADVOCACY AND NGOS

- Ceres
- U.S. Chamber of Commerce Foundation Corporate Citizenship Center
- Mercy Corps
- Water For People
- Planet Water Foundation

2016 Stakeholder Activities

Throughout 2016, we engaged in a variety of forums, conferences, programs and projects with our stakeholders to advance our shared mission of water sustainability. Here is a sampling of engagement activities in 2016:

Along with other national leaders in the water sector, Xylem co-convened the "Disruptive Resilience: Chief Technology Officers Map America's 2030 Water Future" conference. This gathering facilitated a discussion of how to best leverage breakthrough technologies to transform how the nation's water resources are managed in order to create a secure water future for the next century.

Xylem President and CEO Patrick Decker participated in the opening session at the Water Leaders Summit, the pillar event at Singapore International Water Week 2016. At the event, government officials, world organizations and industry leaders convened with the common goal of addressing global water challenges through policymaking and thought leadership. The session, "Beyond Business-as-Usual: Enhancing Collaboration for Resilient and Sustainable Urban Water Management," explored how business and industry leaders can work together more effectively and overcome water challenges faced by cities worldwide.

Xylem was invited to participate in the White House Water Summit, which focused on the role of breakthrough, creative solutions to current water challenges, as well as the innovative strategies that will catalyze change in how we use, conserve, protect and think about water in the future.



Xylem Surveys Californians for Their Take on Recycled Water

Publishing original research is another way we contribute to advancing the dialogue around sustainable water practices. For example, as Californians entered a fifth year of severe drought, Xylem wanted to better understand Californians' perceptions about recycled water and their understanding of the technology used to produce it. So the company commissioned an independent private poll, and the results were eye-opening. Of the 3,000 California residents surveyed, 76 percent believe recycled water should be used as a long-term solution, regardless of whether or not the water shortage continues. And 87 percent of respondents support using recycled water as an additional local water supply. Purified wastewater could provide enough potable water to supply all municipal needs for more than 8 million people, or roughly one-fifth of California's projected population in 2020, according to a report by the WaterReuse Association. California has the opportunity to champion a flexible policy framework to enable and advance the adoption of water reuse. And these survey results suggest that residents are ready to support this sustainable approach to water management.

Albert Cho, Xylem's Vice President of Strategy and Business Development, spoke on a panel at the 2016 American Water Summit. Cho, along with other business and water leaders, discussed the future of the digital utility. Collaborating with other industry leaders at forums like the American Water Summit helps us ensure that the water sector can maximize the benefits of the digital future.

At the IWA World Water Congress & Exhibition in Brisbane, Australia, Xylem explored the importance of understanding lifecycle costs when evaluating water infrastructure investments.

Xylem was selected to participate in the U.S. Department of Commerce's Smart Cities Infrastructure Business Development Mission to India. Representatives from Xylem and 18 other companies participated in this Smart Cities Infrastructure Business Development Mission, which included visits to New Delhi, Mumbai, Chennai and Vizag to explore opportunities for introducing or expanding the use of sustainable products and services in India.

Xylem co-sponsored the U.S. Bureau of Reclamation Arsenic Sensor Challenge, which is seeking to identify new or improved sensors, devices or test kits to measure arsenic in water in natural and engineered systems.

For the 20th consecutive year, Xylem served as the Founding Sponsor of the Stockholm Junior Water Prize international competition.

Xylem was featured in the Business Roundtable 2016 Sustainability Report as one of 150 companies committed to addressing environmental and energy challenges while driving increased economic growth and job creation.

Greg Mimms, Xylem Vice President of EHS&S, was selected to participate in expert reviews for *GRI 403: Occupational Health and Safety* reporting standards.

Materiality

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

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

In order to identify those significant issues, we collected and assessed data and other input from a variety of internal and external sources. Our internal stakeholders included key senior business and functional leaders, the Xylem Sustainability Steering Committee and our

Environment, Health, Safety & Sustainability (EHS&S) team. We also relied on input from a cross section of external stakeholders, including the investment community, NGOs, customers and partners, and community leaders. We then evaluated GRI's G4 indicators through three different lenses – the collective stakeholder feedback, Xylem's strategic priorities and our enterprise risk management factors – to determine both their relative impact on our business and importance to stakeholders.

This robust analysis produced 17 material issues that we have organized into five categories: Strategic Business Model, External Engagement, Environmental Stewardship, Our People and Governance.

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



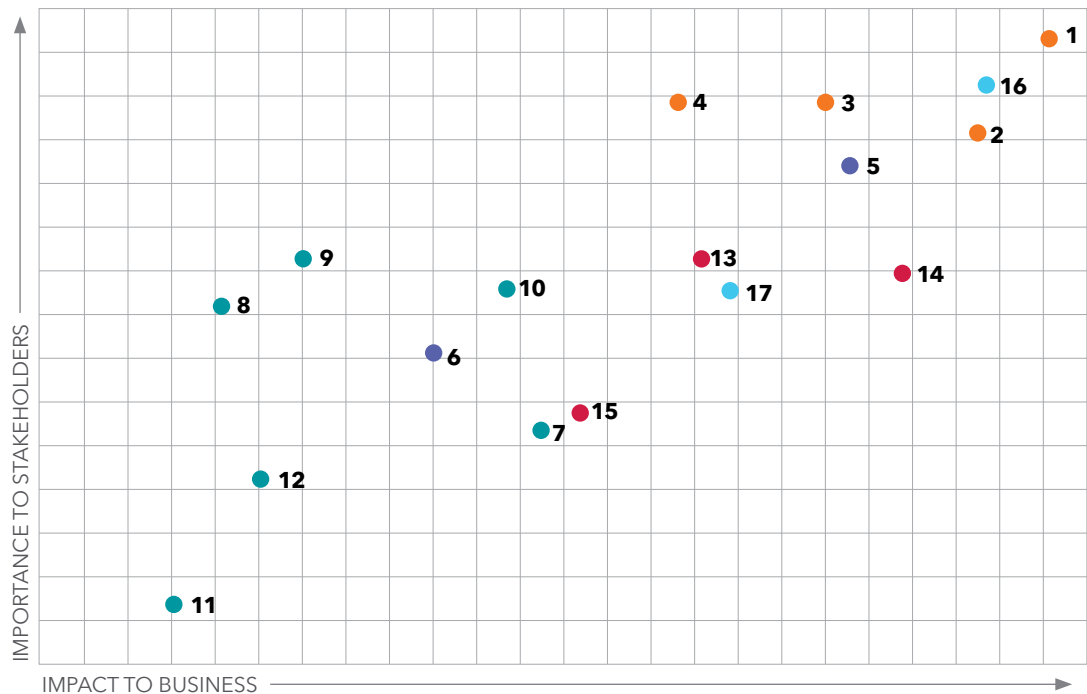
2016 XYLEM MATERIALITY MATRIX

IMPACT TO BUSINESS

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

IMPORTANCE TO STAKEHOLDERS

Xylem analysis across five key stakeholder groups (1) Customers and End Users (2) Employees (3) Shareholders (4) Suppliers and (5) Local Communities



STRATEGIC BUSINESS MODEL

- 1 Economic Value Creation
- 2 Innovation
- 3 Sustainable Products & Services
- 4 Community Impact

EXTERNAL ENGAGEMENT

- 5 Water Thought Leadership
- 6 Global & Local Citizenship

ENVIRONMENTAL STEWARDSHIP

- 7 Product Materials
- 8 Energy Efficiency of Our Facilities
- 9 Climate Change Mitigation
- 10 Water Stewardship
- 11 Biodiversity
- 12 Packaging & Waste

OUR PEOPLE

- 13 EHS&S at Xylem
- 14 Talent Development
- 15 Global Workforce

GOVERNANCE

- 16 Integrity & Transparency
- 17 Responsible Supply Chain

SOURCE: Xylem Analysis

Reporting Practices

We are committed to reporting on Xylem's sustainability strategies and performance on an annual basis. This report captures full-year sustainability results and progress for calendar year 2016, and does not include operations of Sensus or Visenti. Our previous report was released in June 2016, covering our results and progress for calendar year 2015.

This report has been prepared in accordance with the "core" standards of the GRI G4 reporting framework. The GRI Content Index outlines the indicators included in this report and a link to their location in the report. The GRI Content Index also indicates which disclosures have been externally assured.

While GRI does not require external assurance of all the data in a report, in 2016, Xylem engaged independent certification and verification providers, ERM-CVS, to conduct assurance of the environmental and safety metrics contained within our EHS metrics system. ERM-CVS provided an assurance statement for the following:

Environment

- Total direct energy use (MWh)
- Total indirect energy use (MWh)
- Total Scope 1 and 2 GHG emissions (metric tons of CO₂e)
- Total water withdrawal (mega-liters)
- Total hazardous waste generated (metric tons)
- Total non-hazardous waste generated (metric tons)
- Total waste to landfill (metric tons)

Safety

- Injury frequency (medical + lost work day cases x 200,000/number of working hours)
- Injury severity (number of lost work days x 200,000/worked hours)
- Number of medical cases
- Number of lost work day cases

See page 61 for the assurance statement from ERM-CVS.

As part of our annual reporting process, we measure and evaluate our performance and communicate our progress and challenges. We normalize a number of our Environment, Health & Safety metrics based on revenues to allow for a consistent year-over-year comparison that is not impacted by acquisitions, divestitures, employee turnover and other similar factors. During 2016, we migrated our environmental data collection and reporting systems to a different platform. This process resulted in restatements of some prior year data. These restatements are noted in the section where they appear.

The list of all entities within our company is contained in the consolidated financial statements section of the Form 10-K, which was filed on February 23, 2017. It includes the legal names of our nearly 150 subsidiaries, the jurisdiction of these organizations and the name under which they do business. This report includes results and accomplishments from all the entities listed in the Xylem 2016 Form 10-K.

For more information about the content included in this report, contact xylem.sustainability@xylem.com.



Business Performance

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Business Strategy

Xylem is a world leader in water technology, providing equipment and services for water and wastewater applications with a broad portfolio of products and services that address the full cycle of water with sustainable solutions. We expect global macro trends to fuel demand for our solutions. For example, strengthening global environmental and quality regulations are increasing the need for more efficient solutions. Population growth, urbanization and a growing middle class in emerging markets are boosting demand for clean water while putting strains on aging infrastructure. At the same time, the impacts of climate change are disrupting water supplies with intensifying water scarcity in many parts of the world, as well as flooding from a growing number of extreme weather events.

These factors combine to produce a growing need for water solutions that are modern, efficient and resilient. Xylem is well-positioned to fulfill these long-term needs as our business strategy is built around creating solutions to increase water productivity, water quality and resilience – ultimately creating a more positive handprint in the world. We are optimizing the potential of our business and creating a sustainable enterprise through the following strategies:

- *Accelerating Growth* by prioritizing investments in key emerging markets, focused innovation and technology to enable smart infrastructure, strengthening customer relationships to drive commercial leadership and M&A. We focus on investments that will generate long-term, sustainable growth for the benefit of our stakeholders.
- *Driving Continuous Improvement* to strengthen our Lean Six Sigma and global procurement capabilities and continue to

optimize our cost structure through business simplification by eliminating structural, process and product complexity.

- *Developing Leadership and Talent* by focusing on employee development programs at various levels throughout the company. We also will continue to align individual performance to the objectives of the company and our shareholders.
- *Focusing on Execution and Accountability* by holding our colleagues accountable and streamlining our performance management and goal deployment systems.

Xylem also takes a balanced approach to capital development, managing leverage with investments in growth. We return capital to shareholders via dividend growth in line with earnings and opportunistic share repurchases.

On October 31, 2016, we expanded the scope of our business through the acquisition of Sensus, a leading provider of smart metrology, network communications technologies and advanced data analytics serving water, electric and natural gas utilities. This acquisition was an important milestone in Xylem's strategy to move our portfolio of solutions up the technology curve. Sensus has more than 80 million metering devices that are used for water, electric and natural gas applications installed globally. The addition of this business is enabling us to work more closely with all types of public service providers and other customers to deliver smarter solutions driven by data. Given that Sensus was part of Xylem for only two months of 2016, the contents of this report do not include results from the Sensus business. We are actively working to include our newly acquired businesses in our Sustainability Report in future years.

Economic Impact

A comprehensive discussion of Xylem's 2016 financial performance can be found in our SEC 10-K filing beginning on page 27.

2016 FINANCIAL PERFORMANCE (GAAP)

Revenue

\$3.77
BILLION

Operating Expenses

\$3.37
BILLION

(includes cost of goods sold)

Operating Income

\$406
MILLION

Net Income

\$260
MILLION

Diluted Earnings
Per Share

\$1.45

2016 KEY FINANCIAL METRICS

Capital Expenditures

\$124
MILLION

Research
& Development

\$110
MILLION

Dividends Paid

\$112
MILLION

Income Tax Expense

\$80
MILLION

Assets

\$6.47
BILLION

Total Debt

\$2.37
BILLION

Governance & Risk Management

At Xylem, we believe that good corporate governance is non-negotiable. We have created a business structure and have controls in place that promote corporate fairness, transparency and accountability.

Strong governance starts with our highest governing body, the Xylem Board of Directors. In 2016, we held 11 Board meetings and 21 Committee meetings to make decisions on key strategic issues affecting our company and to represent the interests of all Xylem stakeholders. All directors are independent with the exception of our Chief Executive Officer. We believe that having an independent Chairman, whose sole job is to lead the Board, allows our CEO to focus his time on the strategy and operations of our company. Overall Board and Committee meeting attendance was 98 percent in 2016.

Xylem's Board of Directors values the views of our shareholders and believes that building positive relationships is critical to our long-term success.

Effective May 2017, Xylem's Board of Directors had nine members as a result of Edward Ludwig's decision not to stand for re-election.

Highlights of Xylem's corporate governance policies are summarized on page 1 of the company's 2017 Proxy Statement as filed with the SEC.

Board Member Selection and Evaluation

The Board regularly reviews Board size and composition, including diversity and tenure, as well as Committee structure through its Nominating and Governance Committee. This Committee, comprised entirely of independent directors, is responsible for reviewing the company's sustainability, corporate citizenship, safety,

health and environmental affairs, business continuity and cyber risk programs. This Committee also provides oversight of Xylem's ethics and compliance programs, including anti-corruption and trade compliance.

Our Nominating and Governance Committee is responsible for identifying and recommending qualified director candidates to the Board of Directors. The Committee seeks candidates who possess the attributes necessary to provide a broad range of personal characteristics to the Board, including diversity, management skills, technological, business and global experience, and sustainability experience and commitment.

As part of its annual process to identify new candidates to join the Board of Directors, the Nominating and Governance Committee considers whether and to what extent a candidate's attributes and experiences will individually and collectively complement the existing Board, recognizing that Xylem's business and operations are diverse and global in nature.

Our Board considers recommendations for Director candidates from many sources and uses the same criteria for evaluating candidates regardless of the source of the recommendations. The company provides shareholders a proxy access right. Proxy access gives certain shareholders the right to nominate a qualified Director candidate on the company's proxy card to be voted upon by the shareholders as part of the annual shareholder meeting.

The Xylem Board of Directors conducts an annual self-assessment to evaluate its performance overall and at the Committee level. This includes an assessment of the Nominating and Governance Committee's work in overseeing the company's sustainability program and related activities.

In addition, the Nominating and Governance Committee will also engage an independent third-party consultant on a periodic basis to meet with each Board member to assist with the qualitative assessment of the Board, which is then presented to the full Board.

Board Communications

Xylem's Board of Directors values the views of our shareholders and believes that building positive relationships is critical to our long-term success. To help management and the Board understand and consider the issues that matter most to our shareholders, we provide a steady flow of communications about the company's direction, decisions and priorities. Our Corporate Governance Principles, Committee Charters and Code of Conduct are publicly available on our website.

Employees are informed of company decisions through regular print and digital newsletters and memos, as well as town halls and webcasts. Shareholders and other external audiences can also learn about Xylem through webcasts, investor conferences, earnings calls, the Xylem website, news releases and our company public filings.



Xylem shareholders and other interested parties can contact individual Board members, Board Committees or the entire Board as a group by submitting an email to Independent.Directors@xylem.com or a letter directed to our company's

Corporate Secretary at Xylem Inc., 1 International Drive, Rye Brook, New York 10573, USA, with a request to forward the letter to the intended recipient or recipients.

Conflicts of Interest

Xylem's Related Party Transaction Policy governs the treatment of any transaction or proposed transaction between Xylem and its Directors or senior executives. Transactions valued at more than \$120,000 involving Directors or its senior executives are required to be approved by our Board's Nominating and Governance Committee. In 2016, there were no related party transactions that were reportable under SEC rules and that needed to be approved by the Nominating and Governance Committee.

Proposed new Board memberships and relevant changes in affiliations are reviewed by the Corporate Secretary and the Nominating and Governance Committee for potential conflicts or other concerns.

Board and Executive Compensation

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

The target compensation mix for Xylem's most highly compensated officers is heavily weighted toward performance-based compensation. In 2016, 87 percent of CEO compensation and an average of 71 percent of compensation for other named executive officers was in the form of annual performance-based incentive compensation and long-term performance-based equity awards. This does not include any one-time at-hire awards or grants.

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

Risk Management

At Xylem, we believe that a successful, sustainable company is always looking ahead. We consider a wide range of risk factors that could impact our business, from inflation to information technology interruptions. Xylem's Board of Directors has primary responsibility for overall risk oversight, including the company's risk profile and management controls. An enterprise-level risk assessment process is conducted by top executives and reviewed by our Board on an annual basis. This assessment includes feedback gathered from the risk-monitoring dashboards completed by the functional and business leaders, as well as the results of a survey of the company's broader top leadership group.

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 overall risk assessment and risk management

program, including accounting, controls and financial disclosures.

- The Leadership Development and Compensation Committee reviews and assesses compensation program risks to ensure that our compensation programs balance appropriate business risk and rewards without encouraging unnecessary or excessive risk-taking behaviors. This Committee also exercises oversight of risk relating to succession planning for executive officers, including the CEO.
- The Nominating and Governance Committee is responsible for overseeing the company's sustainability, corporate citizenship and environmental, health and safety, business continuity and cyber risk programs. This Committee also provides oversight of Xylem's ethics and compliance programs, including anti-corruption and trade compliance.
- The Finance, Innovation and Technology Committee provides oversight of Xylem's technology and innovation strategy. It also reviews the company's capital spending and financing strategies and M&A opportunities.

We consider a wide range of risk factors that could impact our business, from inflation to information technology interruptions.



Supply Chain

11,000
SUPPLIERS
worldwide

\$2
BILLION
spent with
suppliers

As a company focused on sustainability, we strive to ensure that our suppliers share our values of respect, responsibility, integrity and creativity. Suppliers aren't simply delivering components, raw materials and other resources; they are a reflection of our organization. The major categories for which we depend on suppliers are motors, castings, fabrications, electronics, polymeric and machinings. These products are composed of plastics and metals such as nickel, copper and aluminum, and we take care to ensure that these materials come from reputable sources.

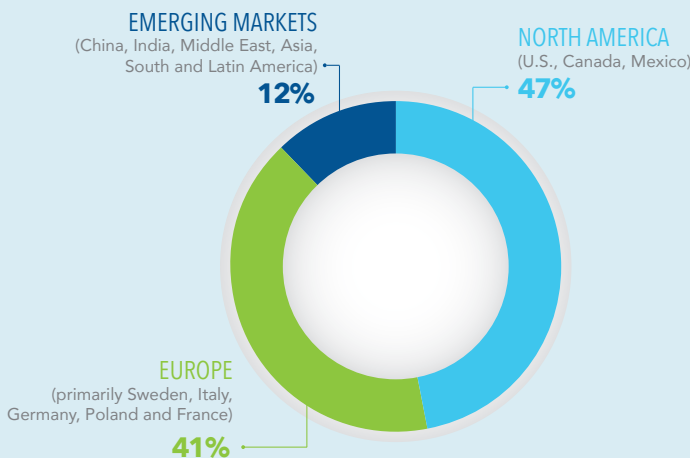
Where possible, our operations rely on local suppliers to optimize material flow and reduce cost without losing the benefits of scale. Our "local spend" varies between 60 to 80 percent of the total supplier spend. Non-local suppliers are requested to provide local supply chain solutions – such as on-site support teams and local warehouse solutions – wherever necessary and applicable. In 2016, Xylem's global procurement group led and supported various initiatives to localize sourcing and

manufacturing. These efforts were focused on emerging market sites in Calamba, Philippines; Baroda, India; and Shenyang, China. Through more than 20 separate projects, we moved more than \$2.5 million in spending to local sources.

The most significant environmental impacts of our supply chain are the result of goods transportation and travel. A newly established relationship with a global travel provider and preferred transportation supply base provides us with a platform to track and manage this portion of our footprint. Beyond our localization efforts, the following procurement-led initiatives are helping reduce Xylem's environmental impact:

- Tracking and reducing air freight where possible, and optimizing lanes to reduce movements;
- Launching a new fleet management program for our European service fleet operations; and
- Sharing carbon footprint data with business travelers through our new travel platform.

SPENDING BY REGION



We are also working to help our suppliers become more sustainable. Our green belt training program, offered at Xylem's expense, enables suppliers to learn ways to implement environmentally friendly practices alongside Xylem colleagues. The only prerequisite for joining the program is to identify one project that provides joint benefits to both Xylem and the supplier. In addition, we offer a water footprint calculation tool to help critical suppliers identify ways to limit water consumption.

Supplier Conduct

Our standard procurement Terms and Conditions require our suppliers to comply with Xylem's technical and commercial requirements, as well as all applicable legal regulations, human

and labor rights, and with our Supplier Code of Conduct. In turn, we expect suppliers to hold their sub-tier suppliers to these same standards. Our Supplier Code of Conduct covers expectations of suppliers in the following areas:

- General contracting ethics
- Child labor
- Forced labor
- Hiring and employment practices
- Compensation and working hours
- Health and safety
- Environment
- Conflict minerals and chemical substances
- Improper payments
- Confidential information
- Supply chain transparency
- Compliance monitoring
- Supplier diversity
- Harassment
- Communication
- Human rights

We want our suppliers to feel comfortable speaking up when they believe we are acting in a manner inconsistent with our values. To that end, we have introduced the Xylem Supplier Ombudsperson Program, through which suppliers can report concerns and issues about Xylem's ethical and compliance behavior in its business dealings.

The program employs a third-party vendor, EthicsPoint, to provide a confidential avenue for raising ethics- and compliance-related concerns. EthicsPoint representatives route information to the appropriate leadership at Xylem. Suppliers can confidentially raise potential concerns via telephone or online.

Supplier Audits

We expect all suppliers to adhere to our global sustainability standards. As part of our procurement process, any new Xylem supplier is required to align with our business standards in terms of product quality, process capabilities and sustainable actions. We have started implementing an audit process that prioritizes suppliers located in countries where human and labor rights issues could be a concern, and those located in water-stressed areas.

Following an in-depth initial audit with a new supplier, we conduct selected and targeted follow-up audits, as well as random audits.

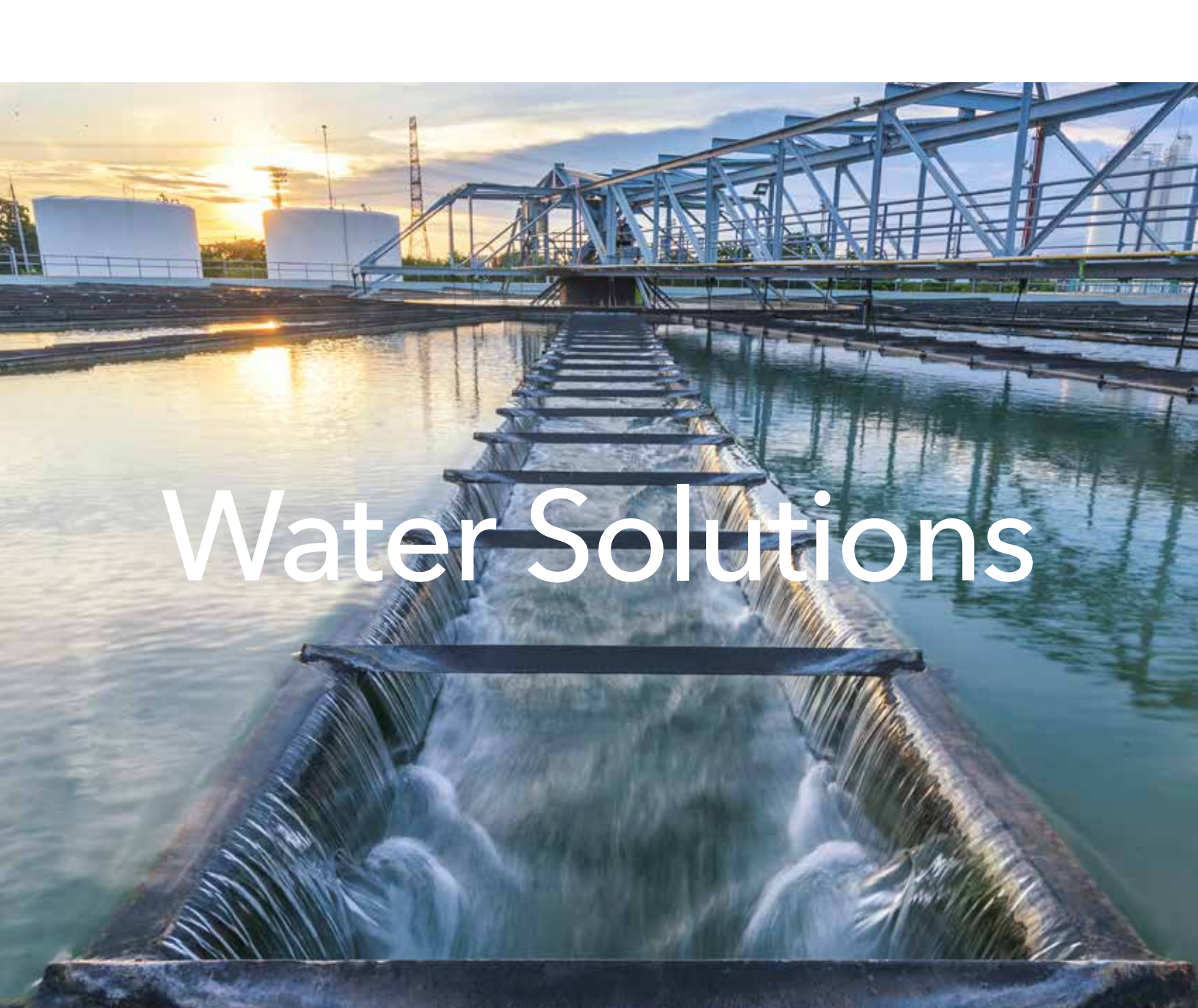
Audit questionnaires focus on the following areas:

- Environment
- Health and safety practices
- Human rights and labor rights
- Conflict minerals
- Business continuity planning
- Facility security

Conflict Minerals

As a producer of heavy industrial goods, tin, tungsten, tantalum and gold (3TG) are used in many of our products. For example, we produce seals that contain tungsten and electronics that contain tin and gold. We have worked diligently over the past three years to comply with U.S. SEC requirements regarding the sourcing of these materials. In 2016, we retained a third-party service provider to assist us in reviewing our supply chain. We surveyed more than 2,400 in-scope suppliers and received a 65 percent response rate.





Water Solutions

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A Water Secure Future

Solving water is more imperative now than ever. Demand for fresh water is rising rapidly due to population growth, industrial expansion and increased agricultural development, with consumption estimated to double every 20 years. At the same time, the availability of fresh water for this growing population is declining due to draining of aquifers, increased pollution and climate change.

Even in developed countries with sufficient clean water supply, existing infrastructure for water supply is aging and inadequately funded. In the United States, for example, degrading pipe systems, on average, leak one out of every 6 gallons of water en route from a treatment plant to the customer.

Meeting these challenges is Xylem's reason for being. Our solutions address all stages of the cycle of water, from water transport, treatment and testing to the uses of water in industrial, residential, commercial, and agricultural applications. We have one of the farthest-reaching distribution footprints in the world, and our opportunity remains vast. Xylem has a strategy to further

penetrate this global market as we help bring about a future where today's water challenges no longer exist.

Three Ways of Looking at Water

We view water solutions through the lens of water productivity, water quality and resilience:

- *Water productivity* refers to increasing the efficiency of how clean water is produced, distributed and consumed.
- *Water quality* refers to the efficient and effective management of wastewater.
- *Resilience* refers to the management of water-related risks and the resilience of water infrastructure.

Xylem's customers often face all three of these challenges, ranging from inefficient, aging water distribution networks, which require increases in water productivity; to energy-intensive or unreliable wastewater management systems, which require increases in water quality; to exposure to natural disasters such as floods or droughts, which demand increases in resilience. Our deep expertise with this diverse range of water challenges allows us to solve water across all sectors, in all parts of the world.



Beyond Water

In late 2016, Xylem completed its acquisition of Sensus, a leading developer of advanced technologies for the intelligent use and conservation of water and energy resources. Sensus's smart metering technologies, network communications and advanced data analytics services not only augment our water-focused offerings, but they also enable us to expand beyond water to the broader field of utilities monitoring, including critical energy services. As a new, combined company, we are better positioned to meet our goal of being a leading provider of systems intelligence solutions – so we can deliver solutions to our customers' challenges that are smarter than ever.

Product Applications

How did Xylem solve water in 2016? It's impossible to give just one answer. For starters, we brought safer, more reliable water supplies to communities with limited supplies, such as the Madhya Pradesh region of India. Here, area rivers are some of the most polluted in the country, and Xylem was selected to supply advanced wastewater treatment technology to the first-ever sewage treatment plant in the city of Sehore. The facility will support treatment of 12 million liters of wastewater per day, improving hygiene and health for more than 100,000 people.

Water shortages are acute in many parts of China, and Xylem is involved in several projects helping to address this problem. For example, we are helping develop the nation's largest underground wastewater recycling plant, which will increase the area's reclaimed water supply by 1.1 billion cubic meters per year. The Three Gorges Dam on the Yangtze River is the largest

hydroelectric dam in the world. When not precisely monitored, it can inadvertently produce water shortages or flooding. An H-3553T Bubbler from YSI, a Xylem brand, gathers stage and flow measurements to help local officials accurately monitor the water levels of the river above and below the dam. We also recently upgraded a sewage plant in Bengbu City, which will improve sanitation conditions for the city's more than 2 million residents.

Xylem is also updating aging or overtaxed infrastructure to help communities avoid breakdowns and better prepare for natural disasters. We replaced an aging force main sewer line in North Carolina that was susceptible to sewer overflows. To complete the replacement, we had to use a 100 percent redundant bypass system capable of handling 13.5 million gallons of water per day. A pair of Godwin pumps made this process possible.




Xylem also is exploring innovative technologies and bringing our solutions to new customers. A cutting-edge filtration system, provided by Xylem's Leopold brand, is helping the Beaver County water treatment plant in Baden, Pennsylvania, supply more drinking water for its growing population using Total Suspended Solid and Total Organic Carbon technology. The region's demand is expected to grow by more than 30 percent by 2020, and our solution will help increase the local supply of potable water while meeting water effluent regulations.

And Xylem is solving water in rapidly growing markets in the Middle East and North Africa, where there are thousands of construction and infrastructure projects currently underway. We are

helping supply these growing markets with a new dewatering pump rental and service business, as well as a local pump manufacturing facility in Dubai. We are also supplying customized, high-efficiency technologies, including Flygt ultra low-head pumps and low-speed mixers, aeration blowers and aerators at a wastewater treatment and reclamation plant in Sulaibiya, Kuwait.

The world's water challenges are daunting – but they're not unsolvable. Sustainability has been part of Xylem's business model from the beginning, and we have the resources and expertise to tackle the toughest of water issues responsibly. Helping facilities, communities and cities run more sustainably is all in a day's work at Xylem.



Sustainability has been part of Xylem's business model from the beginning, and we have the resources and expertise to tackle the toughest of water issues responsibly.

Product Efficiency

Roughly 98 percent of the environmental impact of pumps and mixers is related to energy consumption in the usage phase. That's why one of Xylem's priorities is finding ways to make our products more energy efficient. Efficiency breakthroughs will not only help users save energy and decrease costs, but they will also help create a more sustainable planet.

Our product development process includes a step in which we evaluate new products from a sustainability perspective – considering recyclability, use of less harmful materials, energy efficiency and other factors. By considering sustainability early in the design phase, we are better positioned to make products in a more energy- and cost-efficient manner – something that is not always possible later in the process.

Creating More Efficient Products

Gains in product energy efficiency often are seemingly small – perhaps only a fraction of a percent of improved performance. But over the product's lifetime and multiplied by the number of products sold, these improvements can have a tremendous impact. We track the average efficiency of sold products to measure our progress on this front. In 2016, the average efficiency of product lines that make up more than 40 percent of our revenues was 61.2 percent, nearly flat with the 61.6 percent in 2015, reflecting a change in our product sales mix.

Our 2016 performance represents a 2.6 percent improvement since 2012.

We also pay close attention to our Vitality Index – the percentage of total sales from products launched in the last five years. Improving our Vitality Index is not only an indicator of how well we are meeting customer needs, it also means we're successfully selling products that are more sustainable, as new products are almost always more energy efficient. As of the end of 2016, our Vitality Index was 19 percent, an increase from 18 percent in 2015. Following our acquisition of Sensus, we increased our



Vitality Index 2020 goal from 25 percent to 30 percent.

In early 2016, Xylem announced a research collaboration with the Masdar Institute of Science and Technology, an independent, research-driven, graduate-level university in Abu Dhabi. The collaboration is designed to establish sustainability indicators, such as energy and cost performance of processes and equipment for local water, wastewater and

water transport and treatment facilities. This year-long study will develop key performance indicators (KPIs) to help policymakers and regulators make informed decisions on specifications for wastewater technologies and processes. The project will also help achieve targets to mitigate greenhouse gas emissions for the transport and treatment of wastewater in the most cost-effective way.

World's First Smart Wastewater Pump

Flygt Concertor™ is a prime example of Xylem innovation at work. Unveiled in 2016, it is the first wastewater pumping system with integrated intelligence. The system senses the operating conditions of its environment and automatically adapts to deliver optimal pumping performance without clogs. It reduces overall cost of ownership and consumes considerably less energy than other pumps – a major step toward making the wastewater sector more sustainable.

The system was awarded the Most Innovative and Groundbreaking Product award at the VandTek Fair in Denmark, the Best Product award at the Accadueo International Exhibition in Italy and the Best Product award at the iWater International Integrated Water Cycle Show in Spain. In early 2017, the District of Columbia

Water and Sewer Authority became the first water utility in North America to employ Flygt Concertor.

Field tests conducted around the world have validated significant benefits that Flygt Concertor delivers, including:

- Energy savings of up to 70 percent, compared to a conventional pumping system, by consistently operating at the lowest possible energy level;
- Reduced inventory of up to 80 percent due to flexible performance;
- A built-in sump and pipe cleaning function, saving up to 80 percent in vacuum cleaning costs; and
- Compact design, reducing cabinet size by up to 50 percent compared to conventional designs.

Optimizing Our Industry

Xylem focuses not only on improving the efficiency of our own products, but also on how we can help to improve the performance of the wastewater sector as a whole. Today, the wastewater industry is a major contributor to greenhouse gas emissions, primarily due to the high levels of energy required to transport and treat water using inefficient, outdated equipment. Global management of wastewater results in more than 86 million metric tons of electricity-related emissions – the equivalent of 9.7 billion tons of gasoline.

Powering the Wastewater Renaissance, a report published by Xylem in 2015, revealed that nearly 50 percent of these emissions could be abated at negative cost by investing in readily available advanced technologies. But barriers to adoption remain. Water and wastewater treatment are critical public services, and providers are understandably hesitant to introduce new products when they know that existing ones work – albeit at lower efficiencies. To help change behaviors and protect the environment, Xylem is advocating for innovative financial models and global energy efficiency standards that reward adoption of new products.





Operational Impact

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EH&S Overview

XYLEM OPERATIONAL GOALS

(2014 baseline)

↓20%
GHG EMISSIONS INTENSITY
By 2019

↓25%
WATER INTENSITY
By 2019

↓20%
WASTE TO LANDFILL
By 2019

100%
REGULATORY COMPLIANCE
All Manufacturing/
Service Sites

The end use of Xylem products is to promote sustainable water management, but we're equally committed to optimizing the operations that enable manufacturing of our products. To help us manage and continuously improve the sustainability of our own environmental footprint, we have set five-year goals to reduce greenhouse gas emissions, water and waste to landfill.

We're making good progress toward these goals with the help of our proprietary Eco-Efficiency Easy Tool, which enables our global sites to evaluate and select best practices to reduce energy and water use, and minimize waste. Using this web-based tool, sites can choose actions that are most relevant for implementation at their location, identify individuals responsible for those actions and set dates for completion. Introduced in 2015, the Eco-Efficiency Easy Tool is now in use at Xylem operations in all regions of the world. We no longer track percentage of sites using the Eco-Efficiency Tool because this program is fully integrated throughout our day-to-day operational activities.

During 2016, we migrated our environmental data collection and reporting systems to a different platform. This process resulted in restatements of some prior year data. These restatements are noted in the section where they appear.

Xylem also holds itself to the high standards required for ISO certification; several of our global manufacturing sites meet ISO 14001 standards for environmental management. We are proud of this achievement as it demonstrates our commitment to transparency in our operations.

Certified sites include:

Manufacturing Sites

Buenos Aires, Argentina	Nanjing, China
Cegled, Hungary	Shenyang, China
Chihuahua, Mexico	Stockerau, Austria
Emmaboda, Sweden	Strzelin, Poland,
Essen, Germany	Sundbyberg, Sweden
Herford, Germany	Vadodara, India
Hoddesdon, UK	Yellow Springs, Ohio, USA

Sales and Service Facilities

Ireland (2)	Sweden (13)
Norway (9)	UK (11)

Offices

Schaffhausen, Switzerland



Compliance

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, we discuss incidents in a variety of forums, including town halls and operational reviews, and all incidents are reviewed with site teams, which includes plant managers, general managers, supervisors and EHS globally. These reviews provide the site teams with additional prevention and response education.

One of our sustainability goals is to record zero regulatory compliance notices of violation at manufacturing and service sites. Achieving this goal will enable us to meet our compliance obligation, while also minimizing any reputational

or financial risk associated with permit violations at our sites.

In 2016, Xylem had two environmental notices of non-compliance. The first occurred at our Auburn, New York facility, and was corrected immediately and did not result in any fines. The second occurred at our Montecchio, Italy facility. It was not directly caused by Xylem operations, and did not result in any fines. Additionally, we experienced three minor spills at our facilities, and one transportation spill. These four incidents, all of which were reported to local authorities and did not result in any notices of non-compliance or fines, amounted to a collective 108 gallons of fluid spilled.

Precautionary Principle

We believe that we have a responsibility to help mitigate the effects of climate change, which is why we adhere 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.

Energy & Emissions

XYLEM GOAL

↓20%
GHG EMISSIONS
INTENSITY
 By 2019

Electricity consumption is the largest contributor to GHG emissions associated with our operations. By inspiring our global sites to make reductions in energy use and increase investments in renewable energy, we aim to lower our GHG emissions intensity levels. We're making great progress, from identifying our highest-emitting activities to engaging employees across our company to adopt a more energy-efficient mindset – all of which will help move us toward achieving our GHG intensity goal.

For example, in 2016, we focused on reducing fuel consumption in our vehicle fleet by piloting an online safe- and eco-driving training project with select Xylem drivers. We also contracted with an external consultant with the goal of implementing a world-class energy management solution.

Some of our most successful initiatives to engage employees in energy-reduction efforts have been "Energy Treasure Hunts" at selected facilities. During these events, cross-functional teams of employees identify possible day-to-day energy-efficiency improvements. The goal is to find opportunities to reduce energy use, costs and greenhouse gas emissions related to energy.

Many of these opportunities are low- or no-cost improvements and relatively easy to implement, such as the installation of more efficient lighting and mechanical systems; ovens; motors, belts and drives; fans and pumps; refrigeration systems; and office equipment. Treasure Hunts have been conducted at 20 Xylem sites across the world, starting with our highest resource-consuming

EMISSIONS INTENSITY

Total Greenhouse Gas (GHG) Emissions Intensity† (metric tons CO ₂ equivalent/annual revenues in millions USD)	2015*	2016
Scope 1 and 2 Emissions Intensity	19.38	19.15
Scope 1 and 2 Emissions Intensity, Net of Renewable Energy	18.90	16.62
Percentage Decrease Relative to 2014 Baseline	4.30%	15.7%

*Values in this table have been restated. See pages 13 and 29 for additional information.
 †A normalized metric based on annual revenues to allow for a consistent year-over-year comparison that is not impacted by acquisitions, divestitures, employee turnover and the like.



DIRECT AND INDIRECT EMISSIONS

Level	Definition	2015*	2016
Scope 1	Direct GHG Emissions; those that come from sources owned or controlled by Xylem	37,212	34,860
Scope 2	Indirect Emissions; those resulting from the offsite generation of electricity, heating and cooling, or steam by third-party providers and purchased by Xylem	39,657	38,762
Scope 3	Indirect Emissions Due to Business Travel	7,734	7,759

*Values in this table have been restated. See pages 13 and 29 for additional information.

SCOPE 1 EMISSIONS

Direct Greenhouse Gas (GHG) Emissions by Type (metric tons CO ₂ equivalent)	2015*	2016
Natural Gas Used	11,538	9,504
Stationary Source Gaseous Propane	<1	17
Stationary Source Liquid Propane	375	351
Stationary Source Fuel Oil	552	765
Cryogenic CO ₂	2	0.2
Refrigerant Use	462	248
Total Stationary GHG Emission	12,930	10,885
Mobile Source Gasoline	4,856	882
Mobile Source Diesel	18,733	23,018
Mobile Source Liquid Propane	694	75
Total Mobile GHG Emissions	24,282	23,975
Total Direct GHG Emissions	37,212	34,860

*Values in this table have been restated. See pages 13 and 29 for additional information.

SCOPE 2 EMISSIONS

Indirect Greenhouse Gas (GHG) Emissions by Type (metric tons CO ₂ equivalent)	2015*	2016
Purchased Electricity	38,794	37,984
Purchased Heat	862	778
Total Indirect GHG Emissions	39,657	38,762

*Values in this table have been restated. See pages 13 and 29 for additional information.

facilities. These exercises have led to more than 600 recommended actions, which combined could prevent the use of 4.4 million liters of water and avert 131 tons of CO₂ emissions.

Renewable Energy

One of the simplest ways to reduce our overall GHG emissions is through the purchase of renewable or “green” energy credits and renewable energy. Currently, 23 Xylem manufacturing facilities and sales offices purchase renewable electricity. Combined, these sites purchased over 68 million kWh of renewable energy and nearly 9,600 CO₂ equivalent metric tons in renewable energy during 2016.

Sites that purchase these credits include:

Äby, Sweden	Luleå, Sweden
Auburn, New York, USA	Malmö, Sweden
Bergen, Norway	Mariestad, Sweden
Cheektowaga, New York, USA	Montecchio, Italy
Dallas, Texas, USA	Morton Grove, Illinois, USA
Dordrecht, Netherlands	Örebro, Sweden
Emmaboda, Sweden	Strzelin, Poland
Gällivare, Sweden	Sundbyberg, Sweden
Göteborg, Sweden	Sundsvall, Sweden
Herford, Germany	Umeå, Sweden
Karlstad, Sweden	Uppsala, Sweden
	Yellow Springs, Ohio, USA

In addition to purchasing renewable electricity, our sales office in the Netherlands offsets its natural gas consumption through certified green natural gas credits. Through the Gold Standard Foundation’s Fairtrade Carbon Credit program, companies such as Xylem are able to invest in green energy; increase the resilience of producer groups to the negative impacts of climate change; and help provide a more sustainable future for communities through diversifying community income streams, teaching new skills and creating local employment.

ENERGY CONSUMPTION

	2015	2016
Direct Energy* by Type (Megawatt hours – MWh)		
Renewable Electricity Generated	55	148
Natural Gas Used	63,653	52,431
Stationary Source Gaseous Propane	2	48
Stationary Source Liquid Propane	1,792	1,761
Stationary Source Fuel Oil	2,192	3,141
Total Stationary Energy Usage	67,693	57,529
Mobile Source Gasoline	18,476	3,305
Mobile Source Diesel	69,633	85,587
Mobile Source Liquid Propane	27	3
Total Mobile Energy Usage	88,137	88,895
Total Direct Energy Usage (Stationary + Mobile)	155,830	146,425
Indirect Energy§ by Type (Megawatt hours – MWh)		
Purchased Electricity	137,326	128,640
Purchased Heat	1,871 [†]	2,527
Total Indirect Energy Usage	139,197	131,167
Total Energy Consumption (Megawatt hours – MWh)		
Consumption (Megawatt hours – MWh)	295,026	277,592

*Natural gas, diesel fuel oil, gasoline and renewable sources used in our facilities and/or by mobile vehicles to transport our products.
[†]Value restated due to change in reporting rule in 2015 (+50.1%).
[§]Electricity and heat purchased from energy companies that use various fossil, renewable and non-fossil energy sources to produce and provide these energy products.

In our Australia and South Africa operations, we continue to grow our onsite solar energy generation program. The combined solar panels at our Australian (Adelaide, Brisbane and Sydney) and South African (Boksburg) locations resulted in the generation of 148,259.61 kWh of energy during 2016. We continue to evaluate our green energy strategy with an eye toward its expansion in the years ahead.

Another area where we’re making progress is reducing air quality emissions. We are working to move away from using paints that contain volatile organic compounds (VOCs) and toward water-based painting systems in our operations. Where this is not possible, we are generally destroying VOCs or using materials with lower VOC content. For example, our production facility in Emmaboda burns VOCs and reuses heat from its painting process.

2016 Energy & Emissions Performance

Our energy- and emissions-reduction initiatives resulted in a 12-percent decrease in GHG emissions intensity from 2015 to 2016. This represents a 15.8-percent decrease from our 2014 baseline, continuing to advance us toward our goal of achieving a 20-percent decrease in GHG emissions intensity by 2019. A significant driver of our progress in 2016 was the increase in renewable energy credit purchases.

In 2016, Xylem engaged ERM-CVS, an independent certification and verification provider, to conduct assurance of the environmental metrics contained within our EHS metrics system. ERM-CVS provided an assurance statement for total direct energy use, total indirect energy use, total direct GHG emissions, total indirect GHG emissions, total water withdrawal, total hazardous waste and total non-hazardous waste. [Click here](#) to view the assurance statement from ERM-CVS.

AIR EMISSIONS

	2015	2016
Volatile Organic Compounds (VOC) Emissions (metric tons)	116	92

Water

XYLEM GOAL

↓25%
WATER
INTENSITY
by 2019

Managing water consumption is a top priority for Xylem. In addition to our large-scale manufacturing processes, rather routine tasks that occur at hundreds of locations around the world also require the use of water. These activities include the use of water tanks to test products after repair and at high-pressure washing stations where we clean products coming back from customer sites. The scale and variety of these activities means that the solutions for reducing our usage are not one-size-fits-all. For example, at some facilities we have begun to collect rainwater for use in test tanks and use recycled water for landscaping and sanitation.

We have a number of tools at our disposal to help us further limit our water consumption:

- The Eco-Efficiency Easy Tool, now being used at all of our facilities to identify areas for improvement.

- The Global Water Tool, developed by the World Business Council for Sustainable Development, to determine which Xylem sites are located in water-stressed or water-scarce areas; this tool is being used at all sites with more than three employees.
- Tools to help decrease water use across our supply chain, including a water footprint calculation tool and a pilot sustainability audit program for suppliers in water-stressed basins.

Our Emmaboda, Sweden, factory has taken a leading role in water-reduction efforts. The plant is planning to decrease water consumption by using heat pumps instead of water to cool one of its processes. This project alone will drive a reduction of 20 percent of the water savings we plan to achieve by 2019.

2016 Water Performance

Our water-reduction initiatives resulted in a 10.3 percent decrease in water intensity from 2015 to 2016. This is a 9.2 percent decrease from our 2014 baseline. Additional 2016 water-reduction projects include the installation of a dry cooling system at our Montecchio, Italy, plant; eliminating water leakage at our Slaton, Texas, plant; and the sale and closure of two manufacturing facilities. We continue to work toward our goal to achieve a 25-percent reduction in water intensity by 2019. An ongoing challenge is to identify tangible water-reduction initiatives that can be deployed across our many facilities where water use varies greatly.

Xylem also recognizes the risk caused by neglecting wastewater management. All Xylem sites meet or exceed national, local and our own requirements for the return of clean and safe wastewater back into public water streams. To help meet these standards, a number of our manufacturing sites have installed onsite wastewater treatment systems. In 2016, we treated and released 53.4 megaliters back into the environment.

WATER USAGE

	2015	2016
Total Water Withdrawal (megaliters)		
Total Water Withdrawal	424.1	368.8
Water Intensity (megaliters/annual revenues in millions USD)		
Water Intensity	0.1069	0.0959
Percentage Decrease Relative to 2014 Baseline	+1.17%	9.2%

WATER REUSE

	2015	2016
Total Volume of Water Recycled and Reused (megaliters)		
Total Volume of Water Recycled and Reused	20.4*	19.2
Percentage of Water Recycled and Reused (total water recycled and reused/total water withdrawal)		
Percentage of Water Recycled and Reused	4.80%	5.21%

*Value restated due to correction of reporting error in 2015 (+118%).

WASTEWATER TREATMENT

	2015	2016
Wastewater Treated and Released (megaliters)		
Wastewater Treated and Released	56.3	53.4

Materials & Waste

XYLEM GOAL
ACHIEVED

↓20%
WASTE TO
LANDFILL
by 2019

Xylem has already met its 2019 goal for waste reduction. One of the key reasons for this success is our increased recycling efforts. A sand recycling project completed at our Slaton, Texas, factory alone, for example, contributed to a 38-percent waste reduction. In 2016, Xylem recorded a 12.5 percent decrease in the amount of total waste recycled, driven by a decrease in overall non-hazardous components of waste.

Total waste decreased 5.6 percent from 2015 to 2016. We have reduced waste to landfill by 43.6 percent against our 2014 baseline. This

metric reversed slightly from 2015 to 2016 due to the reclassification of how hazardous waste recycled and non-hazardous waste-to-landfill was calculated at certain sites.

Even though we've reached our goal, we are continuing to focus on reducing waste generation through Lean Six Sigma initiatives and other practices that eliminate scrap and waste from our operations. When we do need to dispose of waste, we direct more of it toward recycling and reuse, and less to landfills and incinerators.

WASTE MANAGEMENT

Waste by Type and Disposal Method (metric tons)	2015	2016
Non-Hazardous Waste Recycled	29,087	25,354
Non-Hazardous Waste to Non-Landfill	853	2,359
Non-Hazardous Waste to Landfill	2,999*	2,845
Total Non-Hazardous Waste	32,939	30,559
Hazardous Waste Recycled	220	286
Hazardous Waste to Non-Landfill	654	1,086
Hazardous Waste to Landfill	127†	100
Total Hazardous Waste	1,001	1,471
Total Waste Recycled	29,307	25,640
Total Waste to Non-Landfill	1,507	3,445
Total Waste to Landfill	3,126	2,945
Total Waste	33,941	32,030
Percentage Decrease Relative to 2014 Baseline	45.26%	43.6%

* Value restated due to reporting error in 2015 (-51%).

† Value restated due to re-qualification of end-treatment in 2015 (+59.8%).





Xylem People

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Global Workforce

The global nature of our employee base gives us a broad perspective about water and other sustainability issues around the world. We can put many well-intentioned sustainability policies in place, but it's our people who transcend the words to drive actions and results. They are the ones who recycle waste, develop energy-saving products, volunteer for Xylem Watermark projects and embody Xylem's values with our customers, suppliers and neighbors in our communities. Our job is to help them fulfill their potential by

providing training and recognition, leadership paths and safe workplaces – and most of all, by creating a work environment that inspires them to make a meaningful difference.

The majority of our workforce is employed in manufacturing, product management, customer service and engineering positions. The remainder fills leadership, management, business-building and support roles in finance, sales and marketing, IT, human resources and legal.

WORKFORCE PROFILE



16,000
EMPLOYEES



25.3%
WOMEN



350+
GLOBAL LOCATIONS



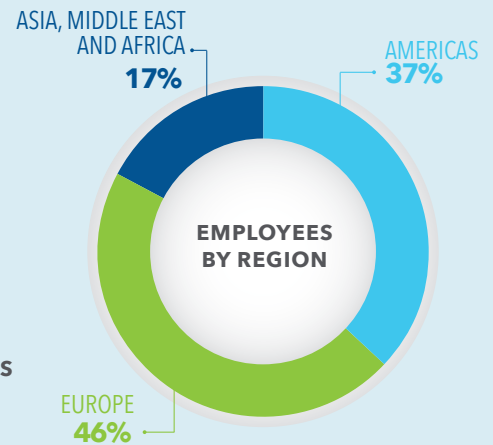
150+
COUNTRIES WHERE XYLEM
PRODUCTS ARE SOLD



17%
U.S. EMPLOYEES
REPRESENTED BY UNIONS



24%
TOP MANAGEMENT POSITIONS
HELD BY WOMEN



EMPLOYEE POPULATION PROFILE

Employee Categories	AGE GROUP As a Percentage of U.S. Employees			MINORITY GROUP As a Percentage of U.S. Employees				GENDER As a Percentage of Global Employees		BY TYPE As a Percentage of Global Employees	
	<30	30-50	>50	African-American	Hispanic	Asian-American	Minority*	Female	Male	Full-Time	Part-Time
Top Management	0%	1.2%	1.4%	0.1%	0.1%	0.2%	0.1%	0.3%	1.0%	1.3%	0%
Middle Management	0.2%	8.3%	9.4%	0.5%	0.8%	0.6%	0.2%	3.0%	13.5%	16.2%	0.1%
Non-management	8.0%	34.5%	37.0%	6.1%	7.5%	4.8%	1.2%	21.9%	60.3%	79.9%	2.5%
Total	8.2%	44.0%	47.8%	6.7%	8.4%	5.6%	1.5%	25.3%	74.7%	97.4%	2.6%

*Native American, Hawaiian Islanders and more

Employee Engagement

To understand where our organization is headed, it helps to understand our past. Many of our brands have more than a century of experience delivering water solutions, but Xylem did not become a stand-alone public company until our spinoff from ITT Corporation in 2011. Since then, we have been transforming from a conglomerate organization into an operating company, purposefully building a Xylem culture that extends across our family of brands and hundreds of locations around the globe.

Employee engagement surveys are one valuable tool that we've used since becoming an independent company to evaluate our progress and develop a more Xylem-centric culture. We use both large-scale surveys and small pulse surveys in our various business units and geographic markets to gauge employee morale, and to solicit feedback and ideas on how we can improve business results and be the best employer possible.

Surveys have also been used to help us manage the change brought by one of our largest acquisitions to date. With the integration of Sensus' 3,500 employees and their unique skills and capabilities, it's a new day at Xylem. Shortly after the acquisition, we conducted high-level assessments with the integration leadership team on cultural similarities, differences and gaps between the two organizations. We will expand on that work through a 2017 company-wide survey, to be conducted in June, which will include evaluations of culture for the first time. From there, we will identify ways to actively shape and evolve the culture of our combined organization.

Recognizing Superior Performance

Attracting and retaining the best employees is fundamental to our continued success. Xylem takes a total rewards approach to attracting, motivating and retaining talented employees worldwide and to driving our high-performance culture.



Our total rewards philosophy integrates programs for compensation, benefits, recognition, learning and development, corporate citizenship and work-life balance. While individual program components may differ by country, job role or level, our culture and commitment to results remain constant.

We also encourage our managers to conduct Stay Interviews with their direct reports. The concept of a Stay Interview is to maintain open lines of communication related to individual employee satisfaction and engagement and to provide real-time feedback.

Diversity & Inclusion at Xylem

With operations in more than 150 countries, diversity is part of Xylem's DNA. We believe that diversity in all its forms allows us to compete more effectively around the world and drive

Attracting and retaining the best employees is fundamental to our continued success.

exceptional customer satisfaction, innovation and company performance. Among our executive ranks, 85 percent are local nationals.

It is our policy to ensure equal employment, advancement opportunity, incentives and discipline without distinction or discrimination based on gender, ethnicity, race, gender identity, age, religious or political beliefs, disability, sexual orientation, protected veteran status or other protected classifications.

In addition, as a U.S. Government contractor, Xylem is committed to taking affirmative action to hire and advance minorities, women, qualified individuals with disabilities and covered veterans. In 2016, the ratio of basic salary and remuneration of women to men by employee category in the U.S. was 98 percent average for non-exempt employees; 95 percent average for exempt employees; and 95 percent average by grade.

Xylem also sees diversity as key to leadership development. When selecting participants for our internal development programs, we ensure that groups are balanced across a number of factors including gender, ethnicity, tenure and function with the company, geography and more. We have also built concepts such as inclusion and leveraging of differences into our training programs for top leaders.



Talent Development

2016 TRAINING BY THE NUMBERS

75,000
HOURS

of in-person and web-based training

200,000
HOURS
COMPLETED

in Learning Management System

16%
SENIOR
MANAGEMENT

internal promotion rate

222
MANAGERS

who have completed Career Frameworks training

~300
EMPLOYEES

completed Leading for Continuous Improvement training

One of Xylem’s strategic objectives is to cultivate a high-performance organization, and training is an essential element of this effort. Providing opportunities for employees to build and reinforce their skills is vital to engagement – and, in turn, to building an enduring company.

Talent development at Xylem is grounded in frameworks of integrated talent management and our Connect, Perform, Grow Process (CPG). The process of integrated talent management standardizes our talent management practices, from recruitment and selection through development to performance management and compensation. CPG, meanwhile, creates a quality assurance process for our people, offering regular feedback conversations throughout the performance period, including discussions on individual development that captures advancement goals for employees, created with input from the individual and his or her manager or supervisor.

The purpose of these programs is to provide a platform for a collaborative review and development of employee results against

goals, objectives and outcomes, as well as employee behavior and competencies. We strive to ensure that these goals and objectives are aligned with Xylem’s strategic and operational objectives. It is not a one-time exercise; on the contrary, ongoing development guides employees through every stage of their careers at Xylem.

We also utilize a Career Frameworks tool to provide more clarity to employees regarding how best to position themselves for career advancement. Using this multidimensional tool, employees can receive detailed direction from their managers about the competencies they need to succeed in their current job or to be considered for the next step in their career journey. They can also view standard competencies that are expected of employees in particular career functions, which define the behaviors exhibited by top performers and the desired outcomes of those behaviors. Xylem offers technical training for managers on how to use Career Frameworks and how to have development discussions with employees.

In 2016, we launched the Xylem Learning Center (XLC), a new online global learning platform designed to maximize employee learning and development through the delivery and tracking of training, knowledge sharing and e-learning modules. Combined with Career Frameworks, XLC provides a meaningful, comprehensive guide to development for our employees as they progress. The platform offers:

- The ability to create competency-based training and curriculums linked to career frameworks.
- Training for sales teams, product teams, managers and channel partners.



**TRAINING
AREAS:**

SAFETY

**CODE OF
CONDUCT**

**LEAN
SIX SIGMA**

**CAREER AND
LEADERSHIP
DEVELOPMENT**

- An easy-to-use interface with search capability.
- Automated training notifications for required training.
- Easy reporting capabilities.

This platform enables us to deliver training programs across Xylem, such as our Manager Development Program (MDP) which is intended to reach all managers and supervisors across the globe or our Leading for Continuous Improvement (L4CI) program.

**Training for Every Phase of
the Employee Life Cycle**

For many employees, especially those with engineering or operations degrees, training begins at the very start of their career. We have taken a segmented approach to delivering training and development focused on the executive leadership of Xylem, managers and supervisors and early-in-career. For example, we offer a program in which participants rotate through three locations, and then are placed in a full-time role within Xylem. These programs include international assignments where high-potential professionals build key foundational

skills and also create strong networks across the company. This program is enabling Xylem to build a deep bench of future leaders.

As individuals settle into their roles at Xylem, we continue to develop their knowledge and talents through a robust selection of online learning courses available via our Learning Management System. Subjects include leadership skills and technical and product training for a wide variety of job functions.

Around the world, we are providing our colleagues with additional educational opportunities. In Europe, we have “functional academies” that provide training on sales, engineering, manufacturing and finance. In the U.S., we offer a skills-building curriculum for front-line managers and supervisors, and in China, our Leadership Institute provides employees with foundational skills to lead effectively. We also offer tuition reimbursement to employees who are pursuing education to further their careers.

Other development programs include the new Strategy Fellows Program for high-potential individuals – typically product managers and



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



Learning by Doing

Members of the Executive Development Program's third cohort wrapped up their training by taking part in a Xylem Watermark event. The final meeting took place in the United States, and the team chose to organize a project that would promote interest in STEM fields among schoolchildren, particularly girls and minority students. Partnering with a local nonprofit, Xylem leaders conducted an experiment for the students on cleaning wastewater. Students learned how to add a coagulant to clean the water and apply a financial formula to determine how to get the cleanest water at the lowest cost, using Xylem equipment to test water for contaminants.

Jay Iyengar, Xylem's Chief Innovation & Technology Officer, spoke to the students about challenges and opportunities as a woman in an engineering field. At the end of the day, students left better informed about the opportunities that degrees and careers in science can afford them. Xylem participants departed inspired to continue to support and mentor others from all backgrounds.

sales team leaders – who are interested in expanding their skills in strategy. The second cohort of this program graduated in 2016. The Innovation & Technology Fellows Program will be a similar initiative for those who want to build engineering and technical skills. In addition, a new sales training program introduced in partnership with Wilson Learning, a leading workforce training company, focuses on helping colleagues develop effective solutions and selling capabilities.

Training for Leaders

Training doesn't end once employees begin leading others. We have a variety of development programs for new and established Xylem managers.

Our Manager Development Program consists of an in-person kickoff for groups of 25 participants, followed by an 18-month blended learning curriculum. It includes virtual online learning, webinars with senior leaders, virtual teamwork activities and Manager as Coach, a two-day, in-person workshop that equips managers to transition from a directive approach to a coaching style. As with all Xylem training, active learning is an important part of this program. We don't just teach models; we provide opportunities for participants to practice the skills we are teaching.

The Executive Development Program is an in-depth program designed for leaders who report to our Senior Leadership Team. Building upon Xylem's vision to become a high-performing operating company with a common culture, the program focuses on building enterprise leadership approaches and empowering leaders to take charge of our company's transformation. We kicked off our fourth cohort of this program in late 2016.

Safety

XYLEM GOALS

<0.5
INJURY
FREQUENCY
by 2019

<6.0
INJURY
SEVERITY
by 2019



Xylem’s safety philosophy is to “accept only zero” – meaning that we strive for a zero-incident workplace and one in which our employees return home at the end of each day uninjured. We have taken several proactive measures to ensure that safety is top of mind for all employees. Safety-related responsibilities are defined in employees’ job descriptions, reinforced through site communications and measured regularly with recognition for outstanding performance. In 2016, we made progress at both the site and enterprise levels – and we are on track to achieve more positive results as safety becomes further integrated into our culture.

Applying the Safety Scorecard

The Safety Scorecard Program, introduced in 2015, is strengthening Xylem’s safety culture by including a safety goal in our performance evaluation. The Safety Scorecard consists of

three elements: risk reduction, injury frequency and injury severity. These elements have been identified as critical in improving overall safety as they encourage management and employee involvement, promote open and transparent communication regarding safety and health, and ensure that safety and health issues are addressed in a timely manner.

Recognizing Outstanding Safety Results

The Safety Scorecard and other measures are yielding promising results, which we now recognize through our enterprise-wide Safety Excellence Awards. More than 188 sites received the Zero Incident Award for operating throughout 2016 with no injuries and no serious near-misses. Twenty-eight sites were recognized with the Most Improved Performance Award for improving their safety performance, as measured by injury frequency, by 50 percent or more over their performance in the previous year.



INJURY FREQUENCY AND SEVERITY RATES

	2015*	2016
Injury Frequency (medical + lost work day cases x 200,000/number of hours worked)	1.20	0.93
Injury Severity (lost workdays x 200,000/number of hours worked)	18.65	18.16

*Values in this table have been restated. See pages 13 and 29 for additional information.

Meeting High Standards

As another marker of our commitment to workplace safety, 20 Xylem sites have been OHSAS 18001-certified. In addition to satisfying the requirements for OHSAS 18001 certifications, these sites also provide training and promote our “Accept Only Zero” philosophy. This program includes online access to more than 80 safety education courses in multiple languages and access to tools that help managers and employees easily and quickly recognize safety and ergonomic hazards and take corrective actions to eliminate root causes.

Addressing High-Risk Sites

Despite our best efforts, incidents occasionally happen. When an injury does occur, we investigate and determine the root causes of the incident. We also examine and identify which parts of the organization are experiencing increased incidents and what activities are being conducted when injuries occur. We also provide additional support to sites with increased injury rates as needed.

In 2015, Xylem initiated the “Get Well” program for sites with the highest injury rates. The program includes a variety of interventions such as employee surveys, in-depth safety data analysis, safety Kaizen events and site visits. These are used to develop site-specific “safety visions,” a safety strategy and appropriate improvement plans. These improvement plans are closely tracked and monitored for implementation by site management and Xylem’s EHS management. The program began at six sites in 2015, with another three added in 2016.

Going Above and Beyond for Safety

In addition to rewarding injury-free operations, we present our annual CEO Safety Excellence Award to one manufacturing site and one sales or service site that has achieved exemplary safety results over the past year and continually seeks to improve safety in its operations. We evaluate sites on quantitative measures, such as risk reduction index score and injury frequency, and qualitative measures such as level of management engagement in safety at the site. Then, applications are scored by a third party and judged by a panel of senior leaders at Xylem.

This year, CEO Safety Excellence Awards were presented to our manufacturing facility in Shenyang, China (part of the Emerging Markets Commercial Team), and our dewatering sales and service center in Lansing, Illinois. In Shenyang, leaders integrated EHS considerations throughout the site, including adding EHS reviews into the production process. At the Lansing site, teams hold shop safety stand-downs to discuss employee and non-employee incidents and near misses that have occurred on job sites. The best practices established at these sites set a powerful example for our teams worldwide.



Ethics

The cornerstone of Xylem's ethics policy is our Code of Conduct. We expect every interaction, every transaction and every business opportunity to be handled in a manner consistent with this Code, our policies and all applicable laws. We ensure compliance with multiple layers of accountability and make it easy for employees to speak up when they see something wrong.

In 2016, we made several enhancements to our ethics program, including:

- Adding a dedicated attorney for internal investigations.
- Adding local compliance resources for our Europe, Middle East, India and Africa regional legal teams.
- Introducing a new policy to address the reporting of concerns, including zero tolerance for retaliation against employees who make reports.
- Updating our anti-corruption policy to include a tracking tool for gifts, hospitality and travel.
- Rolling out a "manager's toolkit" for use by managers to communicate ethics and compliance messages during staff meetings.

Our Code of Conduct went into effect for Sensus employees on day one following our acquisition of that business, and we are continuing to fully roll out all ethics policies across our expanded organization. The Code of Conduct is posted publicly in 26 languages and is available to employees on our company intranet and to third parties on our public website. In addition,

our Supplier Code of Conduct is posted publicly in 18 languages and is incorporated into our standard contracts.

Training

Every other year, we conduct global Code of Conduct training for all employees, and we provide training to all new employees and at targeted locations throughout Xylem on a continuous basis. Through Code of Conduct training, Xylem employees gain a deep



understanding of our core values of respect, responsibility, integrity and creativity and the types of behaviors, actions and decisions that will enable them to support these values. Additional topics covered in the Code of Conduct training are carefully selected by reviewing current ethics and compliance trends within the company and analysis of our hotline reporting and other data.

Training is conducted through a combination of on-line and in-person video delivery to ensure all employees are aware of Xylem's

ETHICS AND COMPLIANCE REPORTING

	2015	2016
Number of Questions and Concerns Raised (through Xylem's complaint handling and resolution process)	76	67
Percent of Credible Reported Complaints Investigated	100%	100%
Percent of Substantiated Cases Resolved (through discipline, training, process enhancement, etc.)	100%	100%

commitment. After training, Xylem employees certify that they understand how the Code applies to their jobs and how to comply with its provisions. Company-wide Code of Conduct training was conducted in 2016 with 96 percent completion.

Reporting Mechanisms

Xylem endeavors to create a corporate culture where employees are expected to report misconduct, where they have many ways to report concerns and where retaliation for reporting is not tolerated.



Through Code of Conduct training, Xylem employees gain a deep understanding of our core values.

Our new reporting concerns policy encourages employees to report misconduct through:

- EthicsPoint, a toll-free, 24-hour-a-day confidential reporting helpline available to employees, suppliers or customers with language support in over 180 languages.
- Local ombudspersons, who receive and impartially address employee Code of Conduct questions or ethical concerns, and are required to take all reasonable and legally permissible steps to protect the identity of all those who report possible violations in good faith.
- Consultation with management, Human Resources or our team of ethics and compliance professionals, including our Chief Ethics and Compliance Officer.

At Xylem headquarters and in each of our regions, we have installed Ethics and Compliance Review Boards. These boards, staffed by senior managers and compliance leaders, meet at least quarterly to oversee local compliance with our Code of Conduct and compliance policies, manage compliance trainings, drive employee engagement, and monitor any ethics and compliance investigations. The boards ensure that every concern that is raised receives appropriate management attention and is resolved in a fair and expeditious manner. They also facilitate learnings from across the organization.

The number of ethics concerns raised in 2016 was generally in line with benchmarking for a company of Xylem's size and industry. Our total number of questions and concerns raised decreased 12 percent from 2015 to 2016. This decrease was largely due to a company-wide effort to resolve employee relations cases outside the purview of our ethics and compliance program resources. We believe the number of complaints, resources devoted to investigating and resolving them, including the addition in 2016 of a Senior Counsel of Global Investigations, and remedial actions taken

by the company, reflect an appropriate focus on tone from the top and a proper company-wide awareness of Xylem's ethics program.

Anti-Corruption

Xylem trains employees on applicable anti-corruption laws and regulations, primarily through our Anti-Corruption Policy, Gifts, Hospitality & Travel Policy and Anti-Corruption Manual, and our Code of Conduct.

In addition, designated employees around the world in Finance, Legal, Compliance and Sales and Marketing are provided with additional, in-depth anti-corruption training either in person or online. Xylem conducts an annual risk assessment of all its Growth Centers and regional Commercial Teams, which includes risks related to bribery and corruption. This risk assessment is monitored and updated regularly. Xylem's internal audit department also conducts regular audits of select sites to determine compliance with the U.S. Foreign Corrupt Practices Act and Xylem's internal policies, and to assess the effectiveness of our anti-corruption program.

Operating as a global company, corruption and bribery also present risks to Xylem in areas where we leverage third parties rather than having a Xylem-owned office. We mitigate this risk by conducting robust due diligence with select third parties. As part of the approval process, third parties certify that they will comply with all applicable anti-corruption and anti-bribery laws. We renew our due diligence every two years and offer training for third parties to help them understand how to remain compliant.

Anti-Trust

Xylem operates in many highly competitive markets around the world where it must submit competitive bids to win business. It is therefore critical that our employees understand and comply with the various anti-trust and competition laws in all of the locations where we do business. This is accomplished through

a combination of policies and procedures, comprised of an anti-trust/competition law policy, a competition law compliance manual and our Code of Conduct, and a robust training program, consisting of a bi-annual on-line training for designated employees as well as targeted live trainings where appropriate. In 2016, Xylem was not involved in any anti-trust incidents and did not pay any non-compliance fines.

Human Rights

With a global presence, we want to serve as a positive influence in the communities where we operate and where our employees live, demonstrating by our actions that human rights violations are both avoidable and unacceptable. Xylem fully supports and adheres to the principles of both the Universal Declaration of Human Rights and the United Nations Global Compact wherever we operate. The Xylem Human Rights Policy outlines our commitment to human rights, dignity and fairness. In particular, we are committed to:

- Providing safe and secure conditions for those working on our company's behalf.
- Safeguarding the environment.
- Protecting the rights of indigenous people.
- Following all applicable wage and hour laws, including upholding our employees' right to exercise freedom of association and collective bargaining.
- Strictly prohibiting human trafficking and the use of child or forced labor, including prison or bonded labor.
- Treating each other fairly and equitably.

While Xylem does not conduct dedicated human rights training for employees, our Code of Conduct 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." To ensure that every facet of our business upholds these standards, we seek business partners who share these commitments.



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Corporate Citizenship

XYLEM 2016 SUSTAINABLE DEVELOPMENT COMMITMENTS

In 2016, Xylem made a few big announcements about our own sustainable development efforts:

\$300 MILLION

water-focused R&D through 2018

\$50,000

funding for national water innovation challenge in collaboration with U.S. Water Partnership

Analytical Instrumentation + Technical Expertise

donated to support Everglades Foundation and the George Barley Water Prize

100,000

Xylem employee volunteer hours pledged through 2018

\$236,000+

raised in employee contributions + Xylem match

455+

Xylem Watermark-sponsored events

When we talk about a sustainable future, we embrace the proposition that everyone should have access to their fair share of food, shelter, healthcare and water. This is much easier said than done. Across the globe, 1 in 10 people lacks clean drinking water, and more people have access to a mobile phone than a toilet. These conditions have serious consequences for community development. Women and children spend more than 200 million hours collecting water daily, often preventing or drastically limiting time for more productive endeavors such as taking care of their families or attending school. The long-term consequences are significant. Every year, 443 million school days are lost worldwide due to water-related illnesses.

The UN's Sustainable Development Goal number 6 calls for the availability and sustainable management of water and sanitation for all by 2030. A big part of the solution is for companies like Xylem to help drive sustainable development. This means growing our business and carrying out our mission of helping to enable a water-secure future. In 2016, Xylem and our employees demonstrated continued commitment by introducing more efficient products, engaging young people in the search for innovative solutions, and embracing the importance of water on a personal level through volunteer activities and contributions to Xylem Watermark, our corporate citizenship and social investment program.

The mission of Xylem Watermark is to provide and protect safe water resources for communities in need around the world and educate people about water issues. We do this in two main ways: We work with nonprofit partners on sustainable development projects that provide and protect safe water resources for communities in need around the world. And we engage our employees to volunteer their time and money to support water solutions.

Beyond Watermark, Xylem finds opportunities to voice our support. For example, to commemorate World Water Day 2016, we participated in the White House Water Summit, an event to raise awareness of water issues and potential solutions for a secure water future. We are also a sponsor of the U.S. Stockholm Junior Water Prize and a founder of the International Stockholm Junior Water Prize, which celebrated its 20th anniversary in 2016. The prize represents the most prestigious student competition for water-related research.



Watermark Partnerships

Xylem Watermark got its start as a program focused on community development, and that legacy continues today. We work with six nonprofit partners who provide access to clean water, sanitation solutions, education and disaster relief in emerging regions of the world. These partnerships are an essential way we continue to solve water. Here is a summary of our programs and 2016 progress:



Planet Water Foundation
Constructs innovative aqua towers to provide clean water, sanitation and hygiene (WASH) education to schools and communities in Southeast Asia & Latin America.

- 70 aqua towers constructed across 5 countries
- 70,000+ beneficiaries



Fundación Avina
Builds water cisterns and water towers that provide access to clean water to schools and communities in Brazil's semi-arid region and in Amazonian communities.

- 1,000 cisterns constructed
- 30,000 beneficiaries



EarthEcho International
Organizes the Water Monitoring Challenge™ to build awareness and involvement in protecting water resources around the world.

- 1,000 water testing kits distributed and used in schools
- 1,000+ beneficiaries



MercyCorps
Protects clean water through disaster risk reduction and responding to water-related emergencies around the world.

- 63,000+ beneficiaries (from earthquake and hurricane relief)



Water for People
Provides access to clean water and WASH education to schools and communities in West Bengal, India.

- 85 infrastructure projects implemented
- 34 WASH education programs administered across schools
- 34,000+ beneficiaries



China Women's Development Foundation
Supplies schools throughout China with improved sanitation and clean water sources.

- 6 water projects implemented in schools across China
- 2,700+ beneficiaries

Xylem provides funding, as well as Xylem experts and volunteers who help our partners implement their programs. We perform continuous evaluation of partners' progress and impact. With all projects, we seek solutions that will benefit communities over the long term. Our work with Planet Water is a powerful illustration of this approach.

All Xylem Watermark partners have developed Water Sanitation and Hygiene (WASH) curriculum, which is designed to teach healthy habits to children. WASH programs in schools significantly reduce hygiene-related disease, increase student attendance and learning achievement, and contribute to dignity and gender equality*.

In 2016, we sponsored Planet Water's Project 24 initiative for the second consecutive year, helping our partner install 24 clean water filtration systems in 24 communities in 24 hours. Our volunteers also helped to provide WASH education in those communities. Since beginning our partnership in 2010, Xylem WASH education initiatives, water tower builds, and school and community water projects in partnership with Planet Water have touched the lives of more than 250,000 people in Cambodia, China, Colombia, India, Philippines and Thailand. In recognition of these and Xylem's long-term commitment to India, Xylem was honored with an award from the American India Foundation in 2016.

*UNICEF. (2010). *Raising Clean Hands: Advancing Learning, Health and Participation through WASH in Schools*

Watermark Employee Volunteerism

The newest component of Xylem Watermark was launched in 2016 and is designed to help build a culture of volunteerism and social engagement across our company. We kicked off this effort with a pledge to log at least 100,000 employee volunteer hours for water-related activities within three years. Through this effort, we're encouraging our colleagues to roll up their sleeves and help solve water within their own communities.

With the launch of our new engagement platform, more than 21,000 hours were logged by over 3,700 volunteers in 2016. That's a 2,200+ percent increase in hours logged by employee volunteers over 2015. We're increasing engagement by starting at the top of our organization, with each of our senior leaders leading teams in a Watermark activity. To make it easy for employees to get involved, we have organized activities such as Walks for Water, water source cleanups and community education programs. Employees

can also propose or participate in projects on their own. Through an online portal, MyWatermark, Xylem employees can connect with colleagues, sign up for projects and track their volunteer time.

We are continuing to refine the program for 2017 and beyond. At the end of 2016, we conducted an all-employee survey to gather feedback on Watermark initiatives. One employee suggestion that we're implementing is to assign a theme to each quarter of the year. As we improve our programming, we hope to find ways to connect the global water crisis to employees' lives – so that they can help spread awareness and solutions close to home.

Global Month of Service

Our engagement efforts paid off in a big way during our inaugural Global Month of Service, held in October 2016. Throughout the month, employees helped advance our mission of solving water through donations, service projects and grants to community organizations.

GLOBAL MONTH OF SERVICE 2016



102

GLOBAL EVENTS HELD



7,192

HOURS VOLUNTEERED



\$18,000

IN COMMUNITY GRANTS GIVEN TO LOCAL ORGANIZATIONS



\$40,500

DONATED BY EMPLOYEES



One hour may not make a difference to you, but like water droplets in a bucket, collectively we can make an impact.

Essence of Life



Xylem understands that food security and development are impossible without agriculture, and agriculture is impossible without water. This is another example of the interdependencies that exist among the U.N. Sustainable Development Goals. We cannot achieve food security and promote sustainable agriculture without providing access to clean water. That's one of the fundamental reasons that we established Essence of Life, a portfolio of affordable, field-serviceable irrigation systems that meet the needs of farmers in emerging markets.

Essence of Life seeks to empower farmers in the developing world who have been underserved by existing farming innovations.

Farmers make up one-third of the world's population. And 1.5 billion of them are "smallholders," those who farm their own food and cultivate less than about 5 acres of land. But much of this land – and therefore, farmers' time and energy – is underutilized due to lack of water access.

Through a "hybrid value chain" concept, Essence of Life is changing this. Hybrid value chains combine the strengths of private businesses and NGOs with government and business partnerships to break down barriers and create new markets.

To develop new products, we conduct extensive field visits, interview hundreds of



farmers and establish relationships with key citizen sector organizations in India, Africa, Latin America and Asia. With these partners, we conduct focused technology and product testing. These interactions enable us to zero in on critical consumer needs, realizing the spoken, unspoken and anticipated needs of our rural customers.

Our debut product, the Saajhi stepping pump, was developed following extensive consumer research and attention to optimizing human factors through design, and is designed specifically for the smallholder farmer. Today, in many countries, small plot farmers spend half of their work days carrying buckets of water from the water source to the fields. With

the stepping pump, farmers simply operate a dual foot pedal – a motion similar to climbing stairs – to generate a strong flow of water through a hose and spray nozzle. While this is a purposefully simple product – with minimal removable parts and no need for special tools – it represents a first step toward farming mechanization and rural water management. Our stepping pump cuts irrigation times greatly, eases the physical burden on farmers and makes it easier for them to efficiently apply water. In turn, farmers can achieve higher yields, increased crop rotations and greater resulting income. Most recently, we also launched solar-powered pumps that expand our offering toward increased sustainable development.

A CLOSER LOOK: THE SAAJHI STEPPING PUMP



3X

OR MORE REVENUE
through greater crop output



15%

**INCREASE IN WATER
OUTPUT PER STEP**
compared to similar products



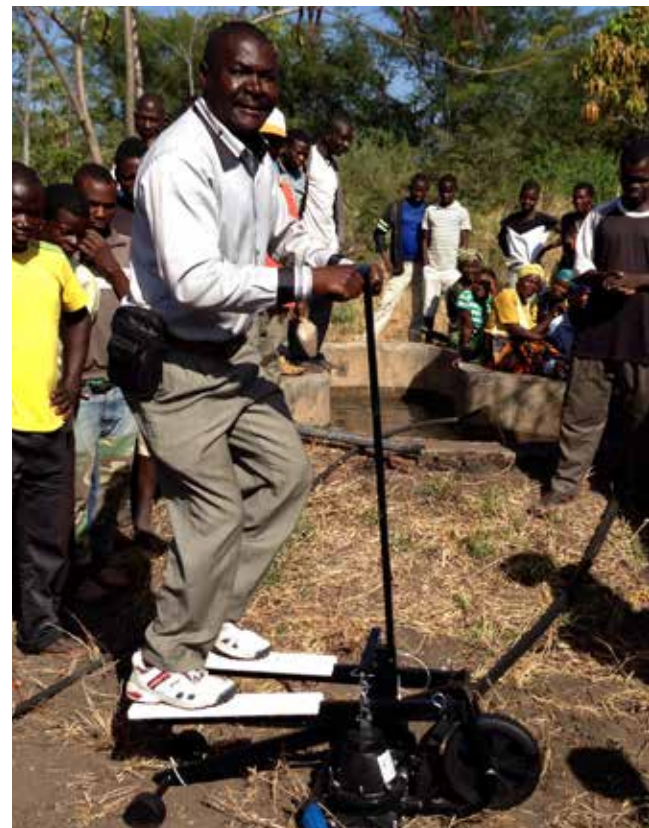
25%

**OR GREATER REDUCTION
IN LABOR TIME**



40%

LESS WATER USAGE
compared with traditional
furrow irrigation



GRI Content Index

GENERAL STANDARD DISCLOSURES		
Standard Disclosure	Description	Response
Strategy and Analysis		
G4-1	Provide a statement from the most senior decision-maker of the organization.	Approach – CEO Message
Organizational Profile		
G4-3	Report the name of the organization.	Approach – Xylem At-A-Glance
G4-4	Report the primary brands, products, and services.	Approach – Xylem At-A-Glance
G4-5	Report the location of the organization's headquarters.	Approach – Xylem At-A-Glance
G4-6	Report the number of countries where the organization operates.	Approach – Xylem At-A-Glance
G4-7	Report the nature of ownership and legal form.	Xylem Inc. (XYL) is a publicly traded company listed on the New York Stock Exchange.
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Approach – Xylem At-A-Glance
G4-9	Report the scale of the organization.	Approach – Xylem At-A-Glance
G4-10	Breakdown of Employee Type.	Xylem People – Global Workforce
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	Xylem People – Global Workforce 10-K (10)
G4-12	Describe the organization's supply chain.	Business Performance – Supply Chain
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Business Performance – Supply Chain
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	Operational Impact – EH&S Overview
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Approach – Stakeholder Engagement
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations.	Approach – Stakeholder Engagement
Identified Material Aspects and Boundaries		
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents.	Approach – Reporting Practices
G4-18	Explain the process for defining the report content and the Aspect Boundaries.	Approach – Materiality

GRI CONTENT INDEX

Standard Disclosure	Description	Response				
		Issue	Internal	External	Boundary	GRI Aspect(s)
G4-19	List all the material Aspects identified in the process for defining report content.	Economic Value Creation (1)	X	X	All Xylem operations & communities in which we operate	-Economic Performance -Market Presence
G4-20	For each material Aspect, report the Aspect Boundary within the organization. Report whether the Aspect is material within the organization.	Integrity & Transparency (16)	X		All Xylem operations	-Human Rights -Investment -Supplier Human Rights Assessment -Anti-Corruption -Anti-Competitive Behavior -Society, Compliance
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	Innovation (2)	X		All Xylem operations	-Energy -Emissions -Products and Services
		Sustainable Products & Services (3)	X	X	All Xylem operations & communities in which we operate	-Materials -Energy -Emissions -Water -Effluents & Waste -Products and Services -Customer Health & Safety
		Water Thought Leadership (5)	X	X	All Xylem operations & communities in which we operate	-Products and Services
		Talent Development (14)	X		All Xylem operations	-Training and Education
		Community Impact (4)	X	X	All Xylem operations & communities in which we operate	-Indirect Economic Impacts -Local Communities
		EH&S at Xylem (13)	X		All Xylem operations	-Occupational Health & Safety
		Responsible Supply Chain (17)	X	X	All Xylem operations & supply chain	-Procurement Practices -Transport -Supplier Environmental Assessment -Supplier Assessment for Labor Practices -Human Rights Investment -Supplier Human Rights Assessment -Supplier Assessment for Impacts on Society
		Water Stewardship (10)	X		All Xylem operations	-Water -Effluents & Waste
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Approach – Reporting Practices Operational Impact – EH&S Overview				
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Approach – Reporting Practices Operational Impact – EH&S Overview				
Stakeholder Engagement						
G4-24	Provide a list of stakeholder groups engaged by the organization.	Approach – Stakeholder Engagement				
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	Approach – Stakeholder Engagement				
G4-26	Report the organization’s approach to stakeholder engagement.	Approach – Stakeholder Engagement				
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.	Approach – Stakeholder Engagement				
Report Profile						
G4-28	Reporting period for information provided.	Approach – Reporting Practices				

GRI CONTENT INDEX

Standard Disclosure	Description	Response
G4-29	Date of most recent previous report.	Approach – Reporting Practices
G4-30	Reporting cycle.	Approach – Reporting Practices
G4-31	Provide the contact point for questions regarding the report or its contents.	Approach – Reporting Practices
G4-32	Report the ‘in accordance’ option the organization has chosen.	Approach – Reporting Practices
G4-33	Report the organization’s policy and current practice with regard to seeking external assurance for the report.	Approach – Reporting Practices

Governance

G4-34	Report the governance structure of the organization, including committees of the highest governance body.	Corporate Governance Highlights
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Ethics and Integrity

G4-56	Describe the organization’s values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics.	Xylem People – Ethics
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SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Description	Response
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Economic

Aspect: Economic Performance

G4-DMA	Generic Disclosures on Management Approach	Business Performance – Business Strategy Business Performance – Economic Impact
G4-EC1	Direct economic value generated and distributed	Business Performance – Economic Impact
G4-EC2	Financial implications and other risks and opportunities for the organization’s activities due to climate change	Business Performance – Business Strategy Water Solutions – A Water Secure Future Operational Impact – EH&S Overview

Aspect: Market Presence

G4-DMA	Generic Disclosures on Management Approach	Business Performance – Business Strategy Business Performance – Economic Impact Xylem People – Global Workforce
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	Xylem People – Employee Engagement

Aspect: Indirect Economic Impacts

G4-DMA	Generic Disclosures on Management Approach	Community – Corporate Citizenship Community – Watermark Partnerships Community – Watermark Volunteerism
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Community – Corporate Citizenship Community – Watermark Partnerships Community – Watermark Volunteerism

Aspect: Procurement Practices

G4-DMA	Generic Disclosures on Management Approach	Business Performance – Supply Chain
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Business Performance – Supply Chain

Environmental

Aspect: Materials

G4-DMA	Generic Disclosures on Management Approach	Water Solutions – Product Efficiency
G4-EN1	Materials used by weight or volume	Xylem does not actively track this data.

GRI CONTENT INDEX

DMA and Indicators	Description	Response
G4-EN2	Percentage of materials used that are recycled input materials	Xylem does not actively track this data.
Aspect: Energy		
G4-DMA	Generic Disclosures on Management Approach	Water Solutions – A Water Secure Future Water Solutions – Product Efficiency Operational Impact – EH&S Overview Operational Impact – Energy & Emissions
G4-EN3	Energy consumption within the organization	Operational Impact – Energy & Emissions
G4-EN4	Energy consumption outside of the organization	Water Solutions – Product Efficiency
G4-EN5	Energy intensity	Energy intensity for 2016 is 72.2 megawatt hours per annual revenues in millions USD. This ratio includes direct consumption sources (renewable electricity generated, natural gas, propane, and fuel oil) and mobile sources (gasoline, diesel, and propane) in addition to indirect consumption sources (purchased heat, electricity and energy).
G4-EN6	Reduction of energy consumption	Operational Impact – Energy & Emissions
G4-EN7	Reductions in energy requirements of products and services	Water Solutions – Product Efficiency
Aspect: Water		
G4-DMA	Generic Disclosures on Management Approach	Operational Impact – EH&S Overview Operational Impact – Water
G4-EN8	Total water withdrawal by source	Operational Impact – Water
G4-EN9	Water sources significantly affected by withdrawal of water	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. Operational Impact – Water
G4-EN10	Percentage and total volume of water recycled and reused	Operational Impact – Water
Aspect: Emissions		
G4-DMA	Generic Disclosures on Management Approach	Water Solutions – A Water Secure Future Water Solutions – Product Efficiency Operational Impact – EH&S Overview Operational Impact – Energy & Emissions
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Operational Impact – Energy & Emissions
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Operational Impact – Energy & Emissions
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Water Solutions – Product Efficiency Operational Impact – Energy & Emissions
G4-EN18	Greenhouse gas (GHG) emissions intensity	Operational Impact – Energy & Emissions
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Operational Impact – Energy & Emissions
G4-EN20	Emissions of ozone-depleting substances (ODS)	Xylem does not use significant amounts of ozone-depleting substances, and for that reason we do not track their use. We adhere to the Montreal Protocol, administered by the United Nations Environment Programme (UNEP), which maintains the list of ozone-depleting substances that are targeted for reductions and total phase-outs.
G4-EN21	NOX, SOX, and other significant air emissions	Operational Impact – Energy & Emissions

GRI CONTENT INDEX

DMA and Indicators	Description	Response
Aspect: Effluents and Waste		
G4-DMA	Generic Disclosures on Management Approach	Operational Impact – EH&S Overview Operational Impact – Materials & Waste
G4-EN22	Total water discharge by quality and destination	Operational Impact – Water
G4-EN23	Total weight of waste by type and disposal method	Operational Impact – Materials & Waste
G4-EN24	Total number and volume of significant spills	Operational Impact – EH&S Overview
Aspect: Products and Services		
G4-DMA	Generic Disclosures on Management Approach	Water Solutions – A Water Secure Future Water Solutions – Product Applications Water Solutions – Product Efficiency
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Water Solutions – A Water Secure Future Water Solutions – Product Applications Water Solutions – Product Efficiency
Aspect: Transport		
G4-DMA	Generic Disclosures on Management Approach	Business Performance – Supply Chain
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	Business Performance – Supply Chain Operational Impact – Energy & Emissions
Aspect: Supplier Environmental Assessment		
G4-DMA	Generic Disclosures on Management Approach	Business Performance – Supply Chain
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Business Performance – Supply Chain
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Business Performance – Supply Chain
Category: Social		
Sub-Category: Labor Practices and Decent Work		
Aspect: Occupational Health and Safety		
G4-DMA	Generic Disclosures on Management Approach	Xylem People – Safety
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Xylem People – Safety
Aspect: Training And Education		
G4-DMA	Generic Disclosures on Management Approach	Xylem People – Talent Development
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Xylem People – Talent Development
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Xylem People – Talent Development
Aspect: Supplier Assessment For Labor Practices		
G4-DMA	Generic Disclosures on Management Approach	Business Performance – Supply Chain
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Business Performance – Supply Chain
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Business Performance – Supply Chain

GRI CONTENT INDEX

DMA and Indicators	Description	Response
Sub-Category: Human Rights		
Aspect: Investment		
G4-DMA	Generic Disclosures on Management Approach	Xylem People – Ethics
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Xylem People – Ethics
Sub-Category: Society		
Aspect: Local Communities		
G4-DMA	Generic Disclosures on Management Approach	Community – Corporate Citizenship Community – Watermark Partnerships Community – Watermark Employee Volunteerism
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Community – Corporate Citizenship Community – Watermark Partnerships Community – Watermark Employee Volunteerism
Aspect: Anti-Corruption		
G4-DMA	Generic Disclosures on Management Approach	Xylem People – Ethics
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Xylem People – Ethics
G4-SO4	Communication and training on anti-corruption policies and procedures	Xylem People – Ethics
G4-SO5	Confirmed incidents of corruption and actions taken	Xylem People – Ethics
Aspect: Anti-Competitive Behavior		
G4-DMA	Generic Disclosures on Management Approach	Xylem People – Ethics
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	10-K (90) Xylem People – Ethics
Aspect: Compliance		
G4-DMA	Generic Disclosures on Management Approach	Xylem People – Ethics
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	10-K (90)
Aspect: Supplier Assessment for Impacts on Society		
G4-DMA	Generic Disclosures on Management Approach	Business Performance – Supply Chain
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Business Performance – Supply Chain
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	Business Performance – Supply Chain
Sub-Category: Product Responsibility		
Aspect: Customer Health And Safety		
G4-DMA	Generic Disclosures on Management Approach	Water Solutions – Product Applications Water Solutions – Product Efficiency
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	At Xylem, we conduct safety risk assessments on all new products and changed products where the design revisions have a possible impact on safety.

UNGC Index

Since 2002, Xylem has been a participant of the United Nations Global Compact, which endorses a framework of principles in the areas of human rights, labor and the environment. We continue to be committed to the principles and are actively implementing them as detailed in this report.

UNGC PRINCIPLE	REPORT LINKS
Human Rights	
1. Businesses should support and respect the protection of internationally proclaimed human rights.	Business Performance – Supply Chain Xylem People – Ethics
2. Businesses should make sure that they are not complicit in human rights abuses.	Business Performance – Supply Chain Xylem People – Ethics
Labor Standards	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Xylem People – Global Workforce Xylem People – Ethics
4. Businesses should uphold the elimination of all forms of forced and compulsory labor.	Business Performance – Supply Chain Xylem People – Ethics
5. Businesses should uphold the effective abolition of child labor.	Business Performance – Supply Chain Xylem People – Ethics
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Business Performance – Supply Chain Xylem People – Employee Engagement Xylem People – Ethics
Environment	
7. Businesses should support a precautionary approach to environmental challenges.	Operational Impact – EH&S Overview
8. Businesses should undertake initiatives to promote greater environmental responsibility.	Operational Impact – EH&S Overview Operational Impact – Energy & Emissions Operational Impact – Water Operational Impact – Materials & Waste
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	Water Solutions – A Water Secure Future Water Solutions – Product Applications Water Solutions – Product Efficiency
Anti-Corruption	
10. Businesses should work against corruption in all its forms, including extortion and bribery.	Business Performance – Governance & Risk Management Xylem People – Ethics

Independent Assurance Statement to Xylem Inc.

ERM Certification and Verification Services (ERM CVS) was engaged by Xylem Inc. (Xylem) to provide limited assurance in relation to specified 2016 environmental and safety data presented in the Xylem 2016 Sustainability Report (the Report) as set out below.

Engagement Summary	
Scope of our assurance engagement	<p>Whether the corporate 2016 data for the following selected indicators are fairly presented, in all material respects, in accordance with the reporting criteria:</p> <p>Environmental data:</p> <ul style="list-style-type: none"> • Total direct energy use (MWh) • Total indirect energy use (MWh) • Total Scope 1 (direct) GHG emissions (metric tons of CO2e) • Total Scope 2 (indirect) GHG emissions (metric tons of CO2e) • Total water withdrawal (mega-liters) • Total hazardous waste generated (metric tons) <p>Safety data:</p> <ul style="list-style-type: none"> • Total non-hazardous waste generated (metric tons) • Total waste to landfill (metric tons) • Injury frequency (medical + lost workday cases x 200,000/number of working hours) • Injury severity ((number of lost workdays x 200,000 / worked hours) • No. medical cases • No. lost work day cases
Reporting criteria	The EHS reporting program and specific metric definitions as prepared by Xylem.
Assurance standard	ERM CVS' assurance methodology, based on the International Standard on Assurance Engagements ISAE 3000 (Revised).
Assurance level	Limited assurance.
Respective responsibilities	<p>Xylem is responsible for preparing the data and for its correct presentation in the Report to third parties, including disclosure of the reporting criteria and boundary.</p> <p>ERM CVS' responsibility is to provide conclusions on the agreed scope based on the assurance activities performed and exercising our professional judgement.</p>

Our conclusions

Based on our activities, nothing has come to our attention to indicate that the corporate 2016 data for the selected indicators listed under 'scope' above are not fairly presented, in all material respects, with the reporting criteria.

Our assurance activities

We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our assurance conclusions. A multi-disciplinary team of EHS and assurance specialists performed the following activities:

- Interviews with relevant staff to understand and evaluate the data management systems and processes used for collecting and reporting the selected data.
- An analytical review of the data from all sites and a check on the completeness and accuracy of the corporate data consolidation for the selected indicators.
- A visit to a manufacturing facilities at Morton Grove, IL (USA) and Montecchio (Italy) to review the local reporting processes and check samples of underlying source data for each selected indicator.
- A visit to Xylem's corporate office (Schaffhausen, Switzerland) to review the consolidation and reporting process including checking calculations, applied emission factors and the corporate data quality and assurance processes.

The limitations of our engagement

The reliability of the assured data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

Our Observations

We have provided Xylem with a separate management report. Without affecting the conclusions presented above, we have the following observations:

- Xylem is keen to improve the quality of its performance reporting across a range of indicators. As part of this process we recommend attention is given during 2017 to:
- Further improving and formalising its year end internal data quality checks to ensure all significant year-on-year site level variances are queried and explained.



12 June 2017
 Jennifer Iansen-Rogers
 Head of Corporate Assurance Services
 ERM Certification and Verification Services, London



ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and auditor training. Our processes are designed and implemented to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS staff that have undertaken this engagement have provided no consultancy related services to this client in any respect.