

Water for a Healthy World

**SUSTAINABILITY
REPORT
2019**



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ABOUT THIS REPORT

We are pleased to present Xylem’s ninth annual Sustainability Report, which describes our efforts in 2019 to solve global water challenges and support a healthy world. The How We Think About Sustainability section of this report explains the connection between current and emerging issues of water scarcity, water systems resilience to climate change and other water challenges and water affordability, and Xylem’s pivotal role in addressing these issues. We close out our goals set in 2014 and share our initial progress report against our 2025 goals, which we introduced in 2019, including Signature Goals designed to tackle some of the world’s most pressing water issues.

We have also produced a set of General Disclosures that contain relevant data and information to meet requirements of the GRI Standards: Core Option. This report is available at <https://www.xylem.com/en-us/sustainability/> in a downloadable PDF format.



CHAPTER 1

Message from Patrick Decker, President & CEO

Water is key to public health and to sustainability. At Xylem, we define sustainability broadly, as responsible practices that strengthen the environment, global economy and society, creating a safer and more equitable world.





Water is vital to human health and the sustainability of our communities and our world. This is more apparent today than perhaps at any time in recent history. The emergence of COVID-19 in late 2019 has underscored the critical role that clean water and reliable sanitation play in preventing and controlling disease and in making hospitals and communities resilient in the face of extraordinary challenges.

In recent months, we've seen the importance of the United Nations' Sustainability Development Goal 6 - "ensure access to water and sanitation for all" - vividly illustrated in news coverage around the world and our own neighborhoods. Scientists, doctors and public health experts have urged people to wash their hands frequently to prevent the spread of COVID-19, as they race to develop a vaccine. Hospitals have been expanding their facilities and standing up new units, with urgent needs for clean water and reliable wastewater services to help with the treatment of COVID-19 patients. People are providing their children and communities with water, sanitation and hygiene (WASH) education, and relying on clean water to prevent disease transmission and make the supplies they bring into their homes safe for their families.

"The provision of safe water, sanitation and hygienic conditions is essential to protecting human health during all infectious disease outbreaks, including the COVID-19 outbreak."¹

- World Health Organization

At Xylem, we are honored to serve essential service providers, including our utility heroes, who protect and support communities around the world. And it's our work to partner with them to help solve the greatest water and critical infrastructure challenges of our time and help our communities become more resilient and sustainable.

¹ Water Sanitation Hygiene," World Health Organization https://www.who.int/water_sanitation_health/news-events/wash-and-covid-19/en/

With water at the core of our business, our company is deeply committed to sustainability – it is fundamental to who we are and what we do. 2019 was a critical year as we pivoted our sustainability commitments to be more outwardly-facing, putting our customers and communities at the center of our efforts. In June 2019, we launched a corresponding bold, new sustainability strategy, formalizing our approach to drive sustainability across our customer solutions and technologies. This mandate is guided by our ambitious new slate of 2025 sustainability goals, also announced last year.

As we continue to roll-out this strategy, we are building momentum and making a difference for our stakeholders.

- **To help our customers advance sustainability**, we are helping lead the digital transformation of water to optimize and deliver the step change that data, analytics and decision intelligence have brought to other sectors. We're also advancing trusted water and wastewater products and solutions, making them more energy efficient and effective. Our technologies are helping society take on the toughest water challenges of our time – making water more accessible and affordable, and making water systems more resilient in the face of climate change.
- **To advance sustainability at our company**, we are pursuing water, energy and cost efficiencies at our locations to reduce our environmental footprint. We're also sharpening our business strategy to reinforce the sustainability of our company and supply chain, and ensure we're positioned to meet the intensifying needs of our customers as they navigate through the COVID-19 pandemic and beyond. And we continue to advance diversity and inclusion to catalyze the innovation needed to help shape the future.
- **To help communities become more sustainable**, we are advancing our commitment to be a company that creates both economic and social value. We do this by providing clean water resources and humanitarian aid to communities in urgent need, providing WASH education, raising awareness of water issues, mobilizing the next generation of water stewards, and providing disaster relief.



We are honored by the recognition we've received for our efforts within the sustainability community and are determined to do more. Our team of more than 16,000 colleagues around the world shares this resolve. As the pandemic has underscored in recent months, access to clean water and safe sanitation is fundamental to life and the well-being of every family and every community.

Our customers who provide water, wastewater and critical infrastructure services are truly on the frontlines, protecting and serving their communities. Xylem is proud to stand with them, developing the innovative solutions they need to help create a safer and more sustainable world for all.

A handwritten signature in black ink, appearing to read 'P. Decker'.

Patrick Decker
President & CEO

CHAPTER 2

Message from Claudia Toussaint, SVP, General Counsel & Chief Sustainability Officer

"As a global water technology provider, Xylem is uniquely positioned to advance sustainability. We do so across three key fronts: how we serve our customers, how we operate our company and how we empower communities."

- Claudia Toussaint, SVP, General Counsel & Chief Sustainability Officer



A year ago, we expanded our sustainability strategy and launched our 2025 goals in response to escalating water challenges around the world. We are challenging ourselves to be a company that pushes boundaries and works to promote a sustainable future. As a leading global water technology provider, Xylem is uniquely positioned to solve water challenges and raise awareness of the critical role that water plays in making our planet more sustainable. This gives us a powerful opportunity and responsibility to effect change – a charge that inspires us to action every day.

Our approach builds on the company's longstanding commitment to sustainability, which was formalized in 2014 when Xylem set our first slate of publicly available five-year sustainability goals. These goals primarily focused on opportunities for the company to improve our business practices and operations, and to deliver broader impact through corporate social responsibility.

Over the past five years, we have made advancing these goals a key focus, and have achieved meaningful progress on a number of critical fronts, including: increasing the energy efficiency of our technologies, reducing our waste to landfill intensity, and significantly expanding employee and stakeholder engagement in our corporate social responsibility programs.

In refreshing our sustainability goals, we knew we wanted to build on this momentum and be more ambitious. Last year, we expanded our sustainability strategy to put a greater focus on advancing sustainability across our products and solutions, and to more closely integrate sustainability into our business strategy.

As a global water and critical infrastructure technology provider, we have a unique opportunity to accelerate innovation and adoption across the water and wastewater cycles. By combining our sharper focus on advancing sustainability for our customers with our work to advance sustainability across our company and in our communities, we knew we could make a significant difference.



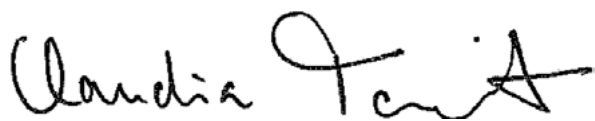
Over the past year, we have achieved a number of important milestones, including:

- Building out our platform of decision intelligence digital solutions, which generate major water, energy and cost efficiencies
- Progressing our innovation so that our core products and technologies help our customers decrease their water and energy usage, reducing their environmental impact and costs
- Minimizing the environmental impact of our operations by achieving a 20 percent reduction in water use intensity and a 28 percent reduction in greenhouse gas emissions
- Executing the first sustainable improvement loan in the general industrial sector in the United States to couple financing with sustainability performance

- Receiving a 100 percent rating in The Human Rights Campaign Foundation's Corporate Equality Index, up from a 75 percent rating the prior year
- Expanding our corporate social responsibility program to engage our customers and other partners, helping us assist more communities facing urgent water challenges
- Raising global awareness of water issues, with a focus on engaging youth

These advances, while significant, are just the beginning. As we look ahead in 2020 and beyond, we are focused on the areas where we see the greatest need and can realize the biggest impact. These include digital innovation in technologies that solve water challenges and enable essential services, helping utilities navigate the profound financial and staffing resiliency challenges caused by COVID-19, and promoting clean water access and WASH education to help safeguard vulnerable communities from disease.

While challenges like water scarcity, water systems resilience to challenges like climate change and water affordability are growing, so too are the opportunities to address them through innovation and shared purpose. Xylem is committed to doing our part and to leading the way - as we work together with our customers and partners to help create a healthier and more sustainable future.



Claudia Toussaint,
SVP, General Counsel & Chief Sustainability Officer

Since the emergence of COVID-19, Xylem has been taking action globally to mitigate the pandemic's impact on our people, our customers and our communities. Our first priority is their safety and well-being. To assist our employees, we have implemented expanded occupational safety and health protocols, and are providing supplementary financial support and benefits. By working to protect our people, we are helping ensure our business continuity; this, in turn, allows us to support the business and operational continuity of our customers and advance our mission to solve water. Many of our customers have been on the frontlines in the COVID-19 crisis, delivering water and other essential services. We are providing our customers with the technologies, products and expertise they need to help them keep water and key resources flowing to hospitals, homes and businesses, and make their communities more resilient. We are also helping global and local humanitarian COVID-19 efforts through two new partnerships with Americares and UNICEF, new partner community grants for local non-profits, and new global funding for critical care facilities and families affected by COVID-19. See [Xylem's COVID-19 Response](#).

2025 SIGNATURE GOALS: Customer, Company, Community

Our 2025 goals are a focal point that inspires, unifies and motivates our colleagues around the world.



Learn About Our 2025 Signature Goals on page [26](#)

CHAPTER 3

How We Think About Sustainability

We're focused on creating a healthier and more sustainable world - it's this shared purpose and passion that unites and galvanizes our more than 16,000 employees around the world.



About Xylem

Clean water is essential for life. Yet it is estimated that three in 10 people worldwide lack access to safe drinking water, and six in 10 lack access to safely managed sanitation services. Critical issues such as water scarcity, the resilience of water systems in the face of climate change and other water challenges and water affordability put our health and safety, our economy and environment – and our very future – at risk.



Xylem is a leading global water technology company committed to solving critical water and infrastructure challenges with innovation. Our more than 16,000 diverse employees delivered revenue of \$5.25 billion in 2019. We are creating a more sustainable world by enabling our customers to optimize water and resource management, and helping communities in more than 150 countries become water-secure.

We design, manufacture and service highly engineered products and solutions across a variety of critical applications. While Xylem primarily serves the water sector, we also support gas and electric providers. Our broad portfolio of products, services and solutions enables our customers to address their toughest water and smart infrastructure challenges (at right).



WATER SCARCITY

Millions of people around the world lack access to water. We transport, treat, test and track water to help make it safe and readily available to communities. We enable water reuse to create sustainable water sources for areas facing water scarcity. We assess, monitor and fix clean water lost in distribution.



RESILIENCE TO WATER CHALLENGES

Water systems worldwide are experiencing increasing water-related emergencies, including natural disasters. We provide water technology and smart infrastructure solutions that help communities prepare for, mitigate the impact of and recover from severe weather events, protecting local economies and ecosystems from flooding and sewer overflow pollution – and protecting lives.



WATER AFFORDABILITY

Delivering water is not always an efficient process and a lot of water can be lost along the way. We help prevent lost water due to leaking infrastructure, faulty meters and unauthorized use. We provide innovative solutions that save water, energy and cost.

The name Xylem

is derived from the scientific term for the vascular tissue in plants that transports water upward from the roots. This name reflects our commitment to keep moving and keep driving progress to help our customers serve their communities and stakeholders – and to do our part to create a more sustainable world.



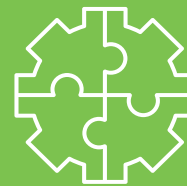
OUR PEOPLE

More than **16,000** people globally united by a shared purpose to **solve water**



OUR CUSTOMERS

Partnering with our customers to build **strong, lasting relationships**



OUR SOLUTIONS

Bringing together **advanced technologies, application expertise and smart sustainable solutions**



OUR BRAND

Customers trust our brand and see it as **celebrating their success, leading on innovation and committed to sustainability**

Our Vision and Values

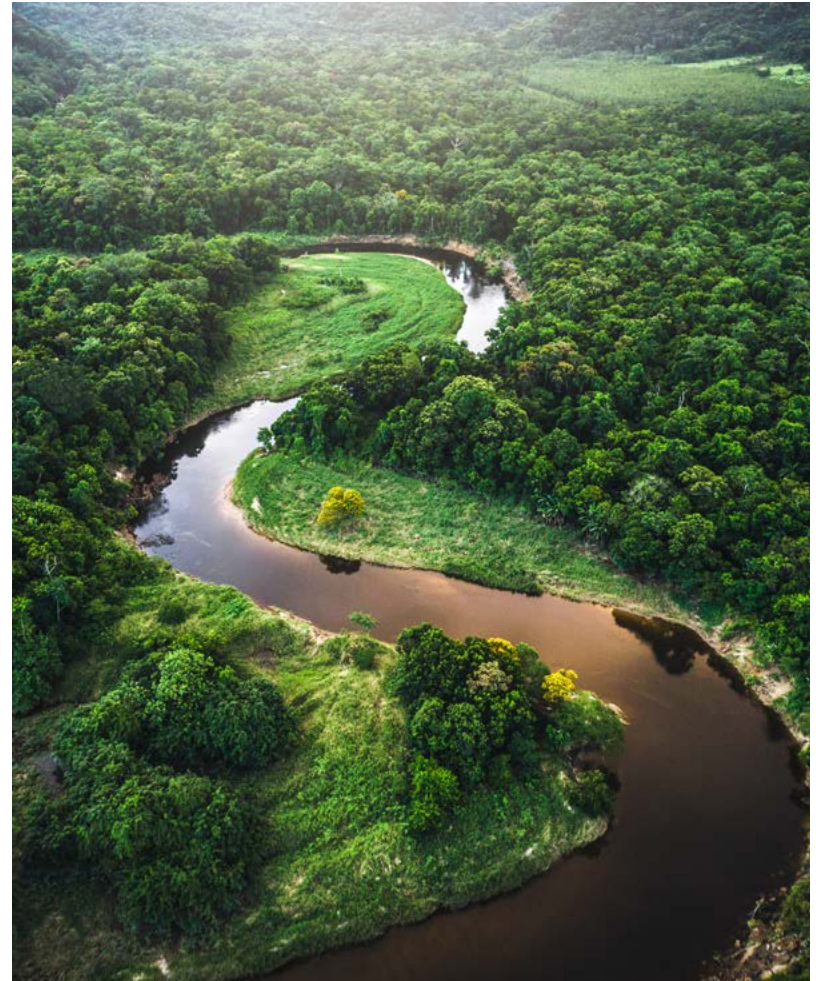
Our vision and values provide a strong foundation for our sustainable growth and shape our commitment to be an industry leader and ethical corporate citizen.

At Xylem, our vision is simple: Xylem will help create a world in which water issues are no longer a barrier to human health, prosperity and sustainable development. We devote our technology, time and talent to advance the smarter use of water.

We are guided by our values:

OUR VALUES

- 1** **Respect** for each other, for diversity of people and opinions, for the environment
- 2** **Responsibility** for our words and actions, for customer satisfaction, for giving back to our communities
- 3** **Integrity** for acting ethically, for doing what we say we'll do, for having the courage to communicate with candor
- 4** **Creativity** for thinking beyond boundaries, for anticipating tomorrow's challenges, for unlocking growth potential



Our Approach to Sustainability

Access to water is essential to sustainable development. As a company focused on protecting, optimizing and managing water, sustainability is fundamental to who we are and to our business. In 2019, we introduced a new, expanded sustainability strategy that deepens our commitment to advance sustainability across our customer solutions and technologies, our company business practices and operations, and our humanitarian work to benefit communities.



SERVING OUR CUSTOMERS (Chapter 5, page 33). We provide innovative technologies, solutions and expertise that help our customers solve major water challenges. For example, our solutions enable water reuse and conservation to mitigate water scarcity, reduce water losses and optimize water system assets to improve water affordability. They also help prevent stormwater pollution and lower greenhouse gas emissions to help communities and their water systems build resilience. We are harnessing the power of data, analytics and decision intelligence to transform water management and deliver powerful water, energy and cost-savings for our customers and the communities they serve.

BUILDING A SUSTAINABLE COMPANY (Chapter 6, page 47). We know that in order to be a company that advances sustainability, we have to be a company with a strong financial foundation that executes with discipline today while also focusing on the future. We operate our business with integrity, minimizing our environmental footprint, ensuring the safety of our people and quality of our products, promoting an inclusive and diverse culture, and partnering with suppliers and organizations that share our values. We still have much to do but we are fully committed to this purpose.

EMPOWERING COMMUNITIES (Chapter 7, page 80). We create social value by providing water-related disaster relief expertise, technology and equipment to communities in need, by educating and raising awareness about water challenges, by inspiring the next generation of water stewards, and by tapping into the passion of our employees and stakeholder volunteers to give time to local water-related causes.

Our expanded sustainability approach and commitment allows us to advance sustainability across all fronts and create greater impact for all those we serve. For more on our 2025 sustainability goals and progress, please see the [How We Make Progress](#) section.

MATERIAL TOPICS

To advance our sustainability strategy, we conduct a periodic materiality assessment to identify and prioritize issues deemed most important by our stakeholders and Xylem. For this report, we used internal and external stakeholder feedback as well as a multifaceted benchmarking exercise to develop and validate our environmental, social and governance (ESG) strategy. These activities resulted in the categorization of material topics into three key areas:



OPPORTUNITIES FOR DIFFERENTIATION



ISSUES THAT WARRANT CLOSE ATTENTION



ISSUES TO MONITOR

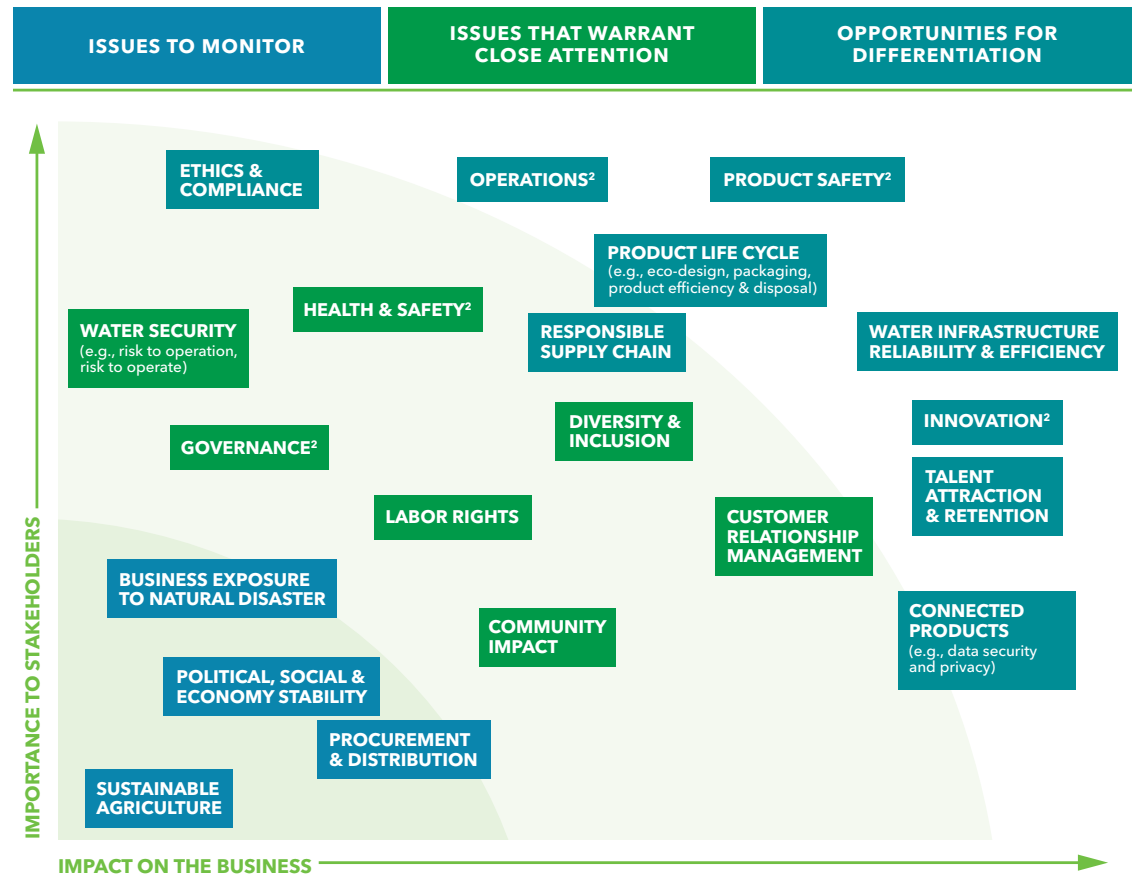
Our materiality process informs a clear framework that outlines for stakeholders how the company links social and environmental value with sustainable business value. We use the structure of the GRI Standards as a means to comprehensively share information about material issues, performance metrics and the management of sustainability-related issues within our organization.



Building on our 2018 materiality assessment, we conducted a validation workshop to identify additional topics that warranted inclusion during the reporting period. Our position as a leading water technology company led us to reframe and reemphasize our contributions to urgent sustainability challenges, such as water scarcity, water systems resilience and water affordability. We added the following four new issues into our list of material¹ topics for discussion:

- Strategic Partnerships
- Climate Change
- Business Transformation
- Intellectual Property

Reporting our performance in these additional focus areas will underscore Xylem’s role as a leading provider of efficient and sustainable water technologies and applications that aim to secure a safe water future. Our next materiality assessment will be conducted in late 2020 and early 2021 to continue to inform our sustainability strategy and reporting.



¹ The term material, as used in this report, is based on a different definition of materiality than used in US securities law.

² Denotes an adjustment to the material topic title in 2019.

Business Transformation

 MATERIAL TOPIC

To advance sustainability, we have to be a company that maintains and builds on our strong foundation, executing with discipline in the near-term, while also focusing on the future. To ensure this, we are developing a culture of continuous improvement, transforming our business and operations by executing consistent and measurable steps over time.

In recent years, Xylem has executed on restructuring and realignment plans to optimize our cost structure and improve our operational efficiency and to reposition our European and North American businesses for commercial effectiveness. We have implemented a global human resources information system and a globally available procurement platform. We are also continuing to advance our efforts to streamline and technology enable our finance function.



In 2019, we delivered nearly \$177 million in full-year productivity savings from procurement, restructuring savings from business simplification and continuous improvement (CI) efforts. We offset more than a third of tariff costs in 2019 and improved the sustainability of our supply chain by auditing over 250 suppliers to ensure they can meet our needs consistently. We held more than 1,500 CI events company-wide, helping our employees to work more efficiently and improve how we serve customers.

In 2019, we announced the first sustainable improvement loan in the general industrial sector in the United States, which ties the company's financing rates to our Sustainalytics rating, an important barometer of Xylem's continued commitment to sustainability. A portion of the individual component of the 2019 annual incentive compensation for both our President & CEO and our SVP, General Counsel & Chief Sustainability Officer was tied to Xylem's sustainability performance as rated by Sustainalytics.

Governance

 MATERIAL TOPIC

As a purpose-driven company, we are focused on creating both economic and social value for our customers, shareholders, employees and communities. Every day we work to solve water challenges through our commercial businesses and social impact efforts around the globe.

Sustainability, in its broadest sense, is at the core of what we do and who we are, and we have directly integrated sustainability into our business strategy. Oversight of the company's strategy is a key responsibility of the Board of Directors. The Board discusses strategy throughout the year and conducts a deep strategic review annually. The Board also receives periodic updates from management on the company's strategic and annual operating plans, and provides appropriate input and perspectives and reviews and discusses the company's mergers and acquisitions (M&A) pipeline with management. The Board hears regularly from customers, investors, financial advisors and other relevant third-party advisors and external thought leaders in the water sector. In addition, Board members connect during the year with employees at various levels through facility visits, as well as engagement during Board meetings and other events. The Board, primarily through its Nominating and Governance Committee, provides oversight of our overall approach to sustainability, including corporate social responsibility. In connection with this oversight, the Board and the Nominating and Governance Committee have reviewed the company's sustainability strategy and regularly discuss this strategy with management.



XYLEM BOARD OF DIRECTORS

Strong governance starts with our highest governing body, the Xylem Board of Directors, which is led by our independent Board chair.

As of the end of 2019, our Board consisted of 11 members, all of whom were independent with the exception of our Chief Executive Officer. On May 12, 2020, Curtis J. Crawford, Ph.D., having reached the mandatory retirement age of 72, retired from the Board, bringing the Board to 10 members.

Our Board is elected annually by our shareholders to oversee how Xylem’s employees and management conduct business under the direction of our President & CEO. The core responsibility of the Board is to exercise its business judgment to act in what the Board reasonably believes are the best interests of Xylem and its shareholders to build long-term sustainable value. In considering the best interests of Xylem and its shareholders, the Board may also consider the effects on Xylem’s broader group of stakeholders, including its employees, suppliers, customers and communities in which we operate. The Board recognizes that the long-term interests of shareholders are advanced by responsibly addressing the interests of this broader group of stakeholders.

The Board, together with the committees it has established to assist in discharging its duties, is guided by our Articles of Incorporation, By-laws, committee charters and Code of Conduct. These documents, along with Board member biographies, can be found on our [corporate website](#).

EXECUTIVE OVERSIGHT

Our Senior Leadership Team (SLT), under the direction of our President & CEO, Patrick Decker, leads businesses, sales teams and functional areas – all of which integrate sustainable processes into their strategies. In 2020, our President & CEO named Claudia Toussaint, SVP and General Counsel, as our Chief Sustainability Officer. The role recognizes Xylem’s commitment to sustainability and our leadership team’s focus on responsible stewardship of our shared water resources.

SUPPORTING COMMITTEES	EXECUTIVE SPONSORS
Xylem Environmental, Social and Governance (ESG) Committee	<ul style="list-style-type: none"> → SVP, General Counsel & Chief Sustainability Officer → SVP, Chief Marketing Officer → SVP, Chief Supply Chain Officer
Watermark Committee	<ul style="list-style-type: none"> → SVP, Chief Marketing Officer
Global Diversity & Inclusion Council	<ul style="list-style-type: none"> → SVP, General Counsel & Chief Sustainability Officer → SVP, Chief Marketing Officer

XYLEM ESG COMMITTEE

The Xylem Environmental, Social and Governance (ESG) Committee assesses strategic sustainability issues, seeks to improve sustainability performance, provides recommendations to Xylem's SVP, General Counsel & Chief Sustainability Officer and the other members of the Senior Leadership Team regarding the company's sustainability goals and objectives, and oversees risks and opportunities. It is a global and cross-functional committee that meets regularly.



The objectives of the ESG Committee include:

- Identifying and evaluating emerging strategic sustainability issues
- Considering regulatory and legislative developments, NGO stakeholder input, market opportunities, brand/reputation, customers and others, as appropriate
- Coordinating company responses to strategic public policy and regulatory issues
- Establishing Xylem's sustainability goals and objectives
- Developing action plans and associated programs to meet Xylem's sustainability goals and objectives
- Reviewing enterprise-wide sustainability programs and performance, and providing input for establishing/modifying the company's goals and objectives

The ESG Committee's work may inform the following areas of activity:

- Operational performance improvement
- Development and implementation of strategic EHS, sustainability and social responsibility programs
- Corporate reporting/disclosure
- Business strategy and planning integration
- Regulatory and public policy advocacy
- Product innovation
- Supply chain management
- Strategic NGO stakeholder engagement
- Customer marketing and branding
- Employee engagement
- Coordinating work necessary to complete the annual Xylem Sustainability Report and other reporting, as necessary
- Communicating with functional area leaders and leadership teams

RISK MANAGEMENT OVERSIGHT

While management has responsibility for managing risk, our Board has responsibility for risk oversight, and our Audit Committee oversees our risk management processes and policies. Risk management is an evergreen process and inherent in the company's strategic and operational decision-making. Throughout the year, the Board discusses risk in general terms and in relation to specific proposed actions. In addition, the Board receives periodic updates from management on the financial and operating results of the company, as well as on the strategic and annual operating plans, and key enterprise risks, and provides appropriate input and perspectives. The Board has delegated responsibility for the oversight of certain risk categories to its committees based on each committee's expertise and applicable regulatory requirements. Each committee regularly receives updates on these matters from management and reports on them to the Board. In addition, management periodically reports to the Board and its committees on specific, material risks as they arise or as requested by the Board. We have an enterprise-wide risk management program that is designed to bring to the Board's attention the company's most material risks for evaluation, including strategic, operational, financial, compliance, and reputational risks. The Board and its committees work with management, our independent and internal auditors, and other external advisors, to incorporate enterprise-wide risk management into corporate strategy and business operations. The Board directly oversees management's approach to cybersecurity and data privacy risks due to the strategic importance of cybersecurity for our customers and the increased focus on data privacy for our employees and in connection with geolocation data. The company has a cybersecurity program for both enterprise and product security that is overseen by our VP, Chief Information Security Officer. Our Cyber Risk Committee, consisting of members from management, is responsible for overseeing the strategic and functional management of cybersecurity across the company.

For examples of areas of risk oversight, please see our 2020 [Proxy Statement](#), page 23.

For more information on governance at Xylem, see pages [92-98](#) of the GRI Content Index.



Stakeholders

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 with our stakeholders. Together, we partner to make the most effective use of the technology-enabled solutions available today and to generate exciting new innovation to shape the future of water. We believe this work offers a meaningful opportunity to make a positive, lasting difference for our global and local communities.

We foster two-way communications with our many stakeholders in a variety of ways to realize this potential. We engage with our key stakeholder groups regularly. We identify a key stakeholder group as one that is critical to our business and strategy, and/or a core partner in our growth and sustainability efforts. Beyond that, we also consider broader society in our outreach by including stakeholders such as certification and regulatory bodies, sustainability and financial rating agencies, academia, associations and shareholder organizations. In addition, Xylem sought feedback from Ceres and ING on the content of this report.

For more information on Stakeholder Engagement at Xylem, see page [98](#) of the GRI Content Index.

SHAREHOLDER ENGAGEMENT

Our Board values the input and insights of the company's stakeholders and believes that effective Board-shareholder communication strengthens the Board's role as an active, informed and engaged fiduciary. Our Board views engagement as a year-round conversation with shareholders about creating long-term sustainable value. Accordingly, the Board seeks to maintain a framework for deep, frequent and productive conversations with the company's shareholders. In 2019, we invited more than 30 of our largest shareholders to engagement meetings.

Of the shareholders invited to engage, we engaged with 11 shareholders, representing more than 30 percent of our outstanding shares. These engagement meetings are an opportunity to discuss key aspects of the company's governance profile, compensation philosophy and performance around sustainability and social value creation, among other things. These meetings also provide a forum for management to solicit feedback regarding the practices and policies that are important to our shareholders. Topics discussed are outlined on page 21 of our 2020 Proxy Statement.

We also regularly engage with our shareholders on a variety of topics relating to performance and strategy for long-term growth, often at conferences and in-person meetings. In addition, we periodically hold Investor and Analyst Days to meet with investors and present and discuss our long-term strategy and financial objectives.

STAKEHOLDER GROUP	EXAMPLE ENGAGEMENT CHANNELS	EXAMPLE TOPICS & CONCERNS
Customers, Channel Partners, End Users, Consultants	<ul style="list-style-type: none"> → Direct engagement via sales teams → White papers, case studies, website content → Direct marketing, live events, webinars → Voice-of-customer interviews, customer satisfaction surveys → Watermark volunteerism and partner engagement → Social media 	<ul style="list-style-type: none"> → Water challenges/solutions → Wastewater challenges/solutions → Stormwater challenges/solutions → Water infrastructure assessment and renewal
Employees	<ul style="list-style-type: none"> → Xylem Now/Workplace by Facebook (our internal social media platform) → CEO global broadcast town halls/Ask Me Anything events → Engagement surveys → Currents (our company intranet) → Employee training and development and Connect.Perform.Grow performance management¹ → Xylem Integrity Line and Ombudsperson network² → Code of Conduct (available in 26 languages) → Watermark volunteerism → Social media <p>¹See Culture & Talent page 68 ²See Ethics & Compliance page 61</p>	<ul style="list-style-type: none"> → Company performance → Company strategy, goals, key initiatives, COVID-19 response plan → Performance feedback → Career planning → Training and development → Mobility across business units and functions → Stock compensation → Benefits (US) and related policies
Shareholders	<ul style="list-style-type: none"> → Annual sustainability report → Quarterly earnings reports and webcast conference calls → News releases → Proactive shareholder outreach program on performance, plans, corporate governance and sustainability → Annual meeting → Company filings with the US SEC → Investor and analyst days → Watermark volunteerism 	<ul style="list-style-type: none"> → Economic and social value creation → ESG performance
Suppliers	<ul style="list-style-type: none"> → Direct engagement via Procurement teams → Xylem Supplier Ombudsperson program → Supplier Code of Conduct (available in 18 languages) → Supplier Day events 	<ul style="list-style-type: none"> → Supply-demand balancing → Growth roadmaps and supply chain mapping
Communities, Community Organizations, Nongovernmental Organizations, More than 250 Nonprofits, Universities, Manchester Manchester City Football Club and Manchester City Football Club's Foundation	<ul style="list-style-type: none"> → Local operations outreach → Xylem Watermark field assessments and sponsorship of local community initiatives → Voice of Partner meetings (Watermark) → Watermark volunteerism and donations → Social media 	<ul style="list-style-type: none"> → Community partnering → Social value creation through volunteerism → Partnering/education
Certification and Regulatory Agencies, Third-party ESG Rating Agencies, Debt Rating Agencies	<ul style="list-style-type: none"> → Direct engagement → ISO- and OHSAS-certification audit and permit applications → ESG surveys 	<ul style="list-style-type: none"> → Outside expertise delivered to regulatory process → ESG performance → Sustainability score

CHAPTER 4

How We Make Progress

To advance sustainability, we have to be a company with a strong foundation that executes with discipline today, while also focusing on the future.



2019 Goals: Conclusion

CUSTOMERS

GOAL: Improve product energy efficiency of specific Xylem product lines

CONCLUSION: Continued to increase product energy efficiency, achieving a 0.2 percent increase in average product energy efficiency across the entire Flygt product line since 2018, and a 2 percent increase in efficiency for new products launched for our Applied Water Systems business since 2018. These improvements' cumulative impact on the reduction of greenhouse gas emissions resulting from product use is substantial.

GOAL: Increase Vitality Index (percentage of sales from products launched in the past five years) to 30 percent by 2020 to drive product innovation and efficiency

CONCLUSION: Increased Vitality Index by 7 percent since 2015 to 25 percent. Despite strong improvement, we fell short of our revised (25% to 30%) 2020 goal. Slower than anticipated adoption of digital products and services in our core utilities end market has negatively impacted our new product sales projections.

COMPANY

GOAL: Reduce waste to landfill intensity by 20 percent by 2019

CONCLUSION: Did not accomplish waste to landfill intensity reduction goal of 20 percent. In 2014, we targeted to reduce our waste to landfill intensity by 20 percent. We exceeded this goal in 2018 with a waste to landfill intensity reduction of 21.3 percent. In 2019, we uncovered a supplier issue that made our waste to landfill intensity increase again. The issue has since been corrected.

GOAL: Reduce net greenhouse gas (GHG) emissions intensity by 20 percent by 2019

CONCLUSION: 28.3percent reduction in greenhouse gas emissions through 2019 against a target of 20 percent that we set the target in 2014.

GOAL: Reduce Xylem water use intensity by 25 percent by 2019

CONCLUSION: Achieved a 20 percent reduction in water use intensity. We have achieved a 20 percent reduction in water use intensity, which is short of the 25 percent goal we set in 2014. To accelerate our efforts, we have committed to employing 100 percent process water recycling at our major facilities by 2025 using Xylem technologies and equipment.

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

CONCLUSION: Decreased injury frequency rate to 0.67. In 2019, we achieved an injury frequency rate of 0.67 – a 56 percent reduction from 2014, but short of our goal of 0.50. We continue to focus on risk reduction programs, across our production facilities and our sales and service operations. Our injury frequency rate in our manufacturing facilities was 0.51 in 2019.

GOAL: Achieve 100 percent environmental compliance at all manufacturing and service sites

CONCLUSION: In 2019 Xylem had one drinking water and two wastewater exceedances which were minor in nature and did not result in fines.

COMMUNITIES

GOAL: Increase employee involvement in Xylem Watermark by 15 percent year-over-year

CONCLUSION: Reached 50 percent employee engagement in our corporate social responsibility program, Xylem Watermark, and logged 65,000 volunteer hours by employees. This represents a 21 percent increase from 2018 and exceeds our goal of 15 percent year-over-year increase in engagement.

GOAL: Position Xylem as a leading advocate for sustainable water policy worldwide

CONCLUSION: Positioned company as global advocate for sustainable water. We provided technology and market expertise to inform policymakers on key water issues in the United States and European Union, contributing language to the FUTURE Act and Advanced Research Projects Agency – Water (ARPA-H2O) Act in US federal and state legislatures to assist in the adoption of digital technology and accelerating the assessment of critical water infrastructure.

GOAL: Increase impact of Xylem Watermark, our corporate social responsibility program, through investments in nonprofit partners

CONCLUSION: 150 percent increase in beneficiaries from projects conducted in conjunction with our nonprofit partners. See page 87 of this report for our 2019 partnerships.

2025 Signature Goals

Xylem’s 2025 Signature Goals aim to advance progress on the world’s most urgent water challenges. Under each goal is a set of additional targets focused on our efforts to: help our customers solve water scarcity, water systems resilience to climate change and other water challenges and water affordability issues; ensure the continued sustainability of our company; and empower communities. Through careful monitoring and evaluation of our performance against our five-year 2019 goals, we are well equipped to monitor and achieve our 2025 goals. Last year, we implemented several changes to improve how we track and drive progress to achieve our goals going forward, including:

- Internal governance guidelines to ensure all facilities are reporting on defined metrics and timelines
- Monthly review of progress by the Environmental, Health and Safety team and quarterly review by senior leadership (including executive sponsors of our sustainability program – our SVP, General Counsel & Chief Sustainability Officer, our SVP, Chief Marketing Officer and our SVP, Chief Supply Chain Officer) to assess footprint reduction projects and ensure they are properly resourced
- Third party review and validation of sustainability metrics, including operational targets
- Assigning goal ownership to an SLT member and a member of his/her team with regular review cadence for that goal
- Quarterly reviews with the ESG Committee (see page [20](#))

CUSTOMERS	
 <p>SAVE MORE THAN 16.5 BILLION Cubic meters of water</p>  <p>Reduce over 3.5 billion cubic meters of non-revenue water</p>  <p>Treat 13 billion cubic meters of water for reuse</p>	 <p>PREVENT OVER 7 BILLION Cubic meters of polluted water from flooding communities or entering local waterways</p>  <p>Provide access to clean water and sanitation solutions for AT LEAST 20 MILLION people living at the base of the global economic pyramid</p>
COMPANY	
 <p>ENSURE 100% OF OUR EMPLOYEES have access to clean water and safe sanitation at work, at home and during natural disasters</p>	 <p>USE 100% RENEWABLE ENERGY</p>  <p>AND 100% PROCESS WATER RECYCLING at our major facilities</p>
COMMUNITIES	
<p>GIVE 1% XYLEM EMPLOYEES’ TIME  AND 1% COMPANY PROFITS to water-related causes and education</p>	

2025 All Goals

CUSTOMERS	COMPANY	COMMUNITIES
<p>SIGNATURE GOALS</p> <ul style="list-style-type: none"> → Reduce over 3.5 billion m³ of non-revenue water, equivalent to the domestic water use needs of over 55 million people annually → Treat 13 billion m³ of water for reuse, equivalent to the domestic water use needs of over 197 million people annually → Prevent over 7 billion m³ of polluted water from flooding communities or entering local waterways → Provide access to clean water and sanitation solutions for at least 20 million people living at the base of the global economic pyramid <p>OTHER GOALS</p> <ul style="list-style-type: none"> → Reduce water's CO₂ footprint by over 2.8 million metric tons, equivalent to 46 million tree seedlings growing for 10 years 	<p>SIGNATURE GOALS</p> <ul style="list-style-type: none"> → Ensure 100 percent of Xylem employees have access to clean water and safe sanitation at work, at home and during natural disasters → Use 100 percent renewable energy at our major facilities¹ → Use 100 percent process water recycling at our major facilities¹ <p>OTHER GOALS</p> <ul style="list-style-type: none"> → Achieve 50 percent gender parity in leadership positions² → Achieve 25 percent US minority representation in leadership positions² → Assess and monitor equitable pay practices with a goal to eliminate pay differences based on gender, race or ethnicity → Reduce injury frequency to an incident rate of 0.5 or below → Require preferred suppliers³ to take the WASH Pledge → Ensure packaging material consists of 75 percent reusable, recyclable or compostable content → Achieve zero waste to landfill from processes at our major facilities → Develop science-based target⁴ for GHG reduction (Scope 1,2,3) → Engage preferred suppliers³ in sustainability initiatives through audit program and corrective action plans → Provide all employees with rich learning and developmental opportunities to build Xylem's ability to solve water for decades to come. 	<p>SIGNATURE GOALS</p> <ul style="list-style-type: none"> → Give 1 percent of our company profits to water-related causes and education → Provide paid time off for Xylem employees to volunteer 1 percent of their time <p>OTHER GOALS</p> <ul style="list-style-type: none"> → Deploy humanitarian aid to 200 areas affected by water-related natural disasters → Provide 15 million people with water education to improve quality of life and raise awareness → Engage at least 95 percent of Xylem employees in volunteer activities → Engage 100,000 stakeholders in volunteer events

2025 SUSTAINABILITY GOALS – OUR PROGRESS IN YEAR 1

We are excited to share our first of seven annual 2025 goal progress updates in this report. We are using January 1, 2019 as the starting point for our reporting baseline. The reporting methodology was established based on internal data analysis, such as extrapolation from existing customer installations, sales forecasts, maturity of our supply chain and facilities processes, access to reliable internal data sources, and broad and extensive engagement with our senior leadership and Board of Directors. For some of our customer impact goals, we are in the process of working with the Sustainability and Health Initiative for NetPositive Enterprise (SHINE)⁵ at the Massachusetts Institute of Technology (MIT) to obtain third-party validation of the methodologies, models and definitions we will be using to validate our metrics and to align our approach with industry standards where possible. Some data is validated by a qualified third party and we refer our stakeholders to these validations in the table below. Over time, we plan to seek additional validations to facilitate transparency and confidence in our approach.

XYLEM SUSTAINABILITY 2025 – FULL LIST OF GOALS		
CUSTOMERS		
Signature Goals	2019 (Year 1) Progress	Comments
Reduce over 3.5 billion m ³ of non-revenue water	0.12 billion m ³ in 2019 representing 3 percent of the 2025 cumulative goal	We are working together with MIT as outlined in the introductory paragraph.
Treat 13 billion m ³ of water for reuse	0.40 billion m ³ in 2019 representing 3 percent of the 2025 cumulative goal	We are working together with MIT as outlined in the introductory paragraph, including consideration of additional Xylem technologies involved in the processes that enable water reuse.
Prevent over 7 billion m ³ of polluted water from flooding communities or entering local waterways	1.25 billion m ³ in 2019 representing 157 percent of the 2019 goal and 18 percent of the 2025 cumulative goal	We are working together with MIT as outlined in the introductory paragraph.
Provide access to clean water and sanitation solutions for at least 20 million people living at the base of the global economic pyramid	640,000 people in 2019 representing 3.2 percent of the 2025 cumulative goal	Our impact reporting numbers are captured by our non-profit partners using NGO validated methodologies.
Other Goals	2019 (Year 1) Progress	Comments
Reduce water's CO ₂ footprint by over 2.8 million metric tons	CO ₂ reductions of 0.04 million metric tons, representing 2 percent of the 2025 cumulative goal	We are working together with the MIT as outlined in the introductory paragraph, including consideration of additional Xylem products.

XYLEM SUSTAINABILITY 2025 – FULL LIST OF GOALS

COMPANY		
Signature Goals	2019 (Year 1) Progress	Comments
Ensure 100 percent of Xylem employees have access to clean water and safe sanitation at work, at home and during natural disasters	100 percent of employees have access to clean water and safe sanitation at Xylem facilities globally We conducted a preliminary survey to assess access at home and learned that a small number of employee homes in India were identified as lacking access to clean water and sanitation. The issues were resolved.	We are planning to conduct a World Business Council for Sustainable Development WASH (Water, Sanitation, and Hygiene) survey to re-validate the access at home, starting with our employees in Emerging Markets.
Use 100 percent renewable energy at our major facilities ¹	7 of our 22 major facilities are using 100 percent renewable electricity.	Please see external assurance statement on page 100 .
Use 100 percent process water recycling at our major facilities ¹	0 of our 22 major facilities are using 100 percent process water recycling. 8 of our 22 major facilities currently have water recycle projects in progress.	Please see external assurance statement on page 100 .
Other Goals	2019 (Year 1) Progress	Comments
Achieve 50 percent gender parity in leadership positions ²	24 percent	
Achieve 25 percent U.S. minority representation in leadership positions ²	15 percent	
Assess and monitor equitable pay practices with a goal to eliminate pay differences based on gender, race or ethnicity	We implemented a global Human Resources Management System (HRIS), which includes a common job classification structure for all positions. We also included pay equity considerations in our employee training for our annual merit increase process.	Our HRIS is a critical enabling tool to start the analytical work to assess and monitor pay practices globally.
Reduce injury frequency to an incident rate of 0.5 or below	0.67, a 12 percent year-over-year reduction	Reducing our injury frequency has been a long-standing goal for us. Over the 5-year period between the end of 2014 and 2019, we have reduced injury frequency by 52 percent. Please see external assurance statement on page 100 .
Require preferred suppliers ³ to take the WBCSD WASH ("Water, Sanitation, and Hygiene) at the Workplace Pledge	We launched our first campaign for 83 preferred suppliers and 11 of them signed the pledge, representing a substantial increase in pledge signers for the WBCSD in early 2020.	We believe that collaborating with our suppliers to drive global sustainability standards is an important part of our sustainability leadership ambition.
Achieve zero waste to landfill from processes at our major facilities ¹	3 of our 22 major facilities achieved zero waste to landfill.	Please see external assurance statement on page 100 .
Develop 1.5°C science-based target ⁴ for GHG reductions (Scope 1,2,3)	We will begin our analysis in 2021	
Engage preferred suppliers in sustainability initiatives through audit program and corrective action plans	We developed a stand-alone Supplier Sustainability Audit Protocol for roll-out in 2020. In early 2020, we engaged 65 preferred suppliers in the EcoVadis ⁶ on-line platform for a sustainability self-assessment and third-party verification review.	
Provide all employees with rich learning and developmental opportunities to build Xylem's ability to solve water for decades to come	194,000 employee training hours were logged in our on-line learning management system (XLC), representing an average of 11.9 hours of training per employee.	We are providing significant additional training that is not captured in the XLC, such as in-person training on diversity & inclusion, innovation, safety, new product and solution offerings, and compliance. We are developing methods to capture this training.

XYLEM SUSTAINABILITY 2025 – FULL LIST OF GOALS

COMMUNITY

Signature Goals	2019 (Year 1) Progress	Comments
Give 1 percent of our company profits to water-related causes and education	We gave \$2.5 million which equates to less than 1 percent of our 2019 profits.	We are expanding our investment in collaboration with various partners. Please see page 87 of this report for our 2019 partnerships. Please click here for our expanded partnerships in 2020.
Provide paid time off for Xylem employees to volunteer 1 percent of their time	In 2019, we provided 8 hours of employee paid time off, reflecting a 100% increase from 2018. 500 employees volunteered 1 percent of their time. In 2020, we changed our global policy to provide 10 hours of paid time off, which equates to less than 1 percent of employees' time, but reflects a 20% increase from 2019.	We are working on plans to increase participation by our employees and to change our paid time off policy, with a focus on the inclusion of our manufacturing based and hourly employees while balancing time-sensitive manufacturing and customer needs.
Other Goals	2019 (Year 1) Progress	Comments
Deploy humanitarian aid to 200 areas affected by water-related natural disasters	Provided humanitarian aid to 11 affected areas, representing 5.5 percent of the 2025 cumulative goal	
Provide 15 million people with water education to improve quality of life and raise awareness	Educated 320,000 people about WASH and the Value of Water ⁷ in 2019	We are expanding our investment in collaboration with various partners. Please see page 87 of this report for our 2019 partnerships. Please click here for our expanded partnerships in 2020.
Engage at least 95 percent of Xylem employees in volunteer activities	Engaged 58 percent of our employees – 9,200 employees for a total of 70,200 hours	We are working on plans to increase participation by our employees and to change our paid time off policy, with a focus on the inclusion of our manufacturing based and hourly employees while balancing time-sensitive manufacturing and customer needs.
Engage 100,000 stakeholders in volunteer events	Engaged 3,500 stakeholders in 2019, representing 3.5 percent of the 2025 cumulative goal	

DEFINITIONS

- ¹ Our major facilities are defined as those facilities with manufacturing activities that were in the top 10 contributors list for Xylem's water, waste, GHGs in any of the last 3 years, or are located in extremely high water stress risk areas. We currently have 22 major facilities and review the list on a periodic basis. We expect to add facilities that are consistent with that definition.
- ² Our "Leadership Positions" are defined as positions that reflect significant responsibilities to help accelerate growth, enhance productivity and set direction. The exact number of Leadership Positions may vary periodically and the list of positions is reviewed on a periodic basis.
- ³ Our Preferred Suppliers are defined as suppliers that score very high in our stand-alone Supplier Evaluation Program. We expect to have ~ 400 preferred suppliers by 2025. The exact number of Preferred Suppliers may vary depending on the execution of the sourcing strategies which are reviewed on annual basis.
- ⁴ Science based target refers to the target Xylem will set to reduce greenhouse gas (GHG) emissions in line with the level of decarbonization required to keep global temperature increase below 1.5° compared to pre-industrial temperatures.
- ⁵ The Sustainability and Health Initiative for NetPositive Enterprise (SHINE) is a joint initiative between MIT and the Harvard T.H. Chan School of Public Health. SHINE at MIT focuses on research on Handprints and Net Positivity.
- ⁶ Ecovadis is a web-based ratings platform that assesses a supplier's corporate social responsibility and sustainable procurement performance.
- ⁷ The Value of Water Campaign is a coalition of companies that focuses on creating awareness and education to elevate the understanding of water resources and water infrastructure in the US.

Aligning with the United Nations Sustainable Development Goals

Adopted in 2015, the 17 UN Sustainable Development Goals (SDGs) establish a framework to build an inclusive and sustainable world and provide an opportunity for Xylem to deepen our collaboration with stakeholders from a cross-section of communities, industries, governments and the social sector. Xylem is uniquely positioned to contribute to the achievement of the 17 SDGs through the proactive management of the company's internal operations and supply chain, corporate social responsibility programs, diversity and inclusion practices, and most importantly, the products, solutions and services that we offer to customers. We consider the following six goals our focus SDGs. For an overview of Xylem's connection to the 17 SDGs, see our [Xylem Sustainability website](#).





SDG 3 GOOD HEALTH & WELL-BEING

Xylem reduces water contamination that threatens human health with digital technologies that enable our customers to treat drinking water and prevent polluted water from flooding communities or entering local waterways. Through testing and treatment solutions, as well as our corporate social responsibility program Watermark, Xylem brings clean water programming interventions and innovation to communities, to combat water-borne and communicable diseases.



SDG 5 GENDER PARITY

Xylem is committed to achieving gender parity in leadership positions within the organization, and eliminating pay differences based on gender, race or ethnicity. Xylem provides improved and equitable access to water in vulnerable regions of the world to help eliminate gender disparities in the workplace and in education. Xylem is a signatory of the UN Women's Empowerment Principles, a set of 10 principles established by UN Global Compact and UN Women that offer guidance to business on how to promote gender equality and women's empowerment in the workplace, marketplace and community.



SDG 6 CLEAN WATER & SANITATION

Xylem develops and brings to the market innovative solutions that help solve critical water issues for communities, including those that help

the millions of people living at the base of the global economic pyramid. Through the integration of digital technologies in areas such as treatment, water loss and water reuse, Xylem advances holistic watershed management and creates water, energy and cost efficiencies, benefiting the public good and making communities more resilient and sustainable. Through Watermark, our corporate social responsibility program, Xylem works with its nonprofit partners to protect and restore water-related ecosystems and to achieve universal and equitable access to safe and affordable drinking water and sanitation for all.



SDG 9 INDUSTRY, INNOVATION & INFRASTRUCTURE

Xylem develops and brings to market innovative solutions that create major water, energy and cost efficiencies, helping utilities solve critical water challenges for their communities making them more sustainable with increased resource-use efficiency and greater adoption of cleaner and environmentally sound technologies and industrial processes. Xylem invests substantial resources into Research and Development and our leading-edge technologies facilitate sustainable and resilient infrastructure development in developing countries.



SDG 11 SUSTAINABLE CITIES & COMMUNITIES

Xylem improves the safety and quality of life of millions of people living in economically-challenged communities and/or affected by water-

related catastrophes by enhancing access to clean drinking water, improving wastewater management and making water systems more resilient to severe weather from climate change. We also help communities protect human health with digital technologies that reduce or prevent flooding and contaminated water from polluting local waterways. Through Watermark nonprofit partnerships and Xylem's Global Humanitarian Disaster Response team, Xylem responds to water-related disasters and supports long-term recovery and resiliency efforts.



SDG 13 CLIMATE ACTION

Xylem helps utilities and businesses build resilience, with technologies, including water reuse solutions, that help ensure a continuous supply of safe water in the face of scarcity caused by climate change, and storm and wastewater solutions that help reduce sewer overflows during extreme weather. We strive to continuously reduce our own carbon footprint and to advance innovation to improve the energy efficiency of Xylem products to reduce operational greenhouse gas emissions. Xylem provides humanitarian aid in the form of clean water drinking systems and our products and services strengthen resilience and adaptive capacity to climate-related hazards and natural disasters.

CHAPTER 5

Serving Our Customers

Public health and quality of life depend on the quality and accessibility of water. Our customers rely on Xylem to provide innovative solutions to solve the world's toughest water challenges.



Customer Relationship Management



What is needed to ensure that communities have a reliable supply of clean, safe water? How can wastewater management be improved to protect the environment and downstream users? Can these same processes be used in other industrial applications? How can utilities ensure operational continuity during times of crisis and financial stress?

Answering these questions and helping our customers implement effective and innovative solutions is what motivates us in our work. Our customers face many challenges and look to us to provide solutions. They need reliable, safe and cost-effective products and services that meet their specific needs.

While conventional water technologies will remain essential well into the future, new technologies are also needed to meaningfully address issues of scarcity, water scarcity, water system resilience to climate change and other water challenges, and water affordability. Our interdisciplinary teams of experts combine their in-depth knowledge of transporting, treating, testing and tracking water and wastewater with an understanding of the needs of the industries we serve and leading-edge capabilities in digital innovation.

“We at Xylem know that all innovation begins with the customer. We strive to develop technologies and solutions based on a deep, deep understanding of our customers’ true needs. Our teams spend hours and hours walking alongside and in the shoes of our customers, experiencing their challenges and living their pain points. And it is when we match that with the entirety of our internal and external innovation ecosystem that we make a real difference.”

- David Flinton, SVP, Chief Innovation, Technology and Product Management Officer



Innovation



At Xylem, innovation takes many forms, from providing more connected products and intelligent solutions, to business model innovations that help water and wastewater service providers convert to new and more sustainable technologies. Our work to drive both innovation and sustainability is aligned and complementary, as we develop new solutions for our customers with a clear aim in mind: to help the world mitigate major water challenges like scarcity and affordability, and help make communities more resilient and sustainable.

Looking ahead in 2020 and beyond, our approach to innovation includes:

- Continuing to engage customers early and often to understand their true pain points and needs
- Enabling Smart City development worldwide through a connected digitized portfolio of water technologies and Decision Intelligence
- Co-developing and advancing bold new technologies and applications through partnerships with universities, research institutes, startup incubators, NGOs, policymakers and other technology companies
- Convening broader conversations about water challenges and sustainability with policymakers and the general public
- Promoting diversity and inclusion to create the vibrant cross-exchange of ideas and perspectives that is critical to fueling innovation
- Developing innovations specifically focused on creating social impact and improving lives through education, awareness and empowering communities to move up the global economic pyramid

In recognition of our commitment to both innovation and sustainability, Xylem was named to the Fortune [“Change the World”](#) list for the second year in a row. The Change the World list is a ranking of 50 companies that have made a significant social impact through their core business strategy. Xylem was recognized for its

work with customers and communities around the world to bring digital solutions to the water sector and create a more water-secure, sustainable world.

The water sector is still in the early stages of its digital transformation, but data-driven insights are proving to deliver tremendous efficiency and more proactive approaches to infrastructure operations and management. In addition, a digital-savvy generation passionate about the environment is entering the water workforce and becoming socially-conscious consumers of water. The combination of these two trends is creating a powerful opportunity to accelerate solutions for the world’s water issues.

INNOVATION FOR SOCIAL IMPACT

Xylem recognizes that solving water for people living at the bottom of the economic pyramid requires innovative approaches that incorporate economic empowerment and gender parity to build sustainable communities with adequate water and sanitation. In 2019, Xylem launched the Base of Pyramid (BoP) Solutions team to develop community and household water treatment and sanitation solutions. Building on Xylem’s approach to solving water scarcity, water systems resilience and water affordability, The BoP Solutions team aligned on five community values of acceptability, affordability, accessibility, awareness, and accountability. Leveraging Xylem’s industry-leading domain expertise and end-to-end technologies in digital solutions, field-ready and scalable hardware, and aftermarket and service, we have the unique opportunity and social responsibility to deploy Water, Sanitation, and Hygiene (WASH) solutions that enable creation of social enterprise and local markets, support the professionalization of community-based services, and strengthen and the operation of local institutions and systems. To have an impact in WASH, partnership is key; the BoP team is leaning into research, co-development, and commercial partnerships with universities, NGOs, and public partners in the WASH space to close the water and sanitation gap together.

2019 EXCELLENCE IN INNOVATION AWARDS

For the past 3 years, Xylem has internally recognized leaders in innovation. The Excellence in Innovation awards recognize employees who exemplify the spirit of innovative teamwork that is so vital to our continued growth and success. In addition to our award for best technology or product innovation for 2019, we also established a separate award category for best business model innovation. Both types of innovation are critical to our efforts to transform the future of water and critical infrastructure by helping make water more affordable and accessible, and communities more resilient and sustainable. See the entire list of Excellence in Innovation Awards [here](#).

BEST BUSINESS MODEL INNOVATION: CEO GRAND PRIZE AWARD WINNER, SMART IRRIGATION PROJECT IN MADHYA PRADESH, INDIA

With climate change and water scarcity issues growing, there is an increasing need in India to irrigate land as efficiently as possible to conserve water and improve agricultural production. This team in India adopted a consultative selling approach to truly understand the customer's conservation needs - how to reliably, efficiently and intelligently provide water to 175,000 farmers and increase agricultural production across 5,150 square kilometers in the state of Madhya Pradesh. They will leverage resources and products across four Xylem business units, along with other technologies where doing so creates customer value, and a network of external partners to design and deliver smart irrigation infrastructure that is truly "first of its kind."

BEST TECHNOLOGY OR PRODUCT INNOVATION: CEO GRAND PRIZE AWARD WINNER, ALYZA IQ ANALYZER

The traditional phosphate and ammonium analyzers used in water and wastewater applications rely on hazardous and costly reagents. This team in Germany fully redesigned the analyzer based on robust voice-of-customer feedback, and solved customer concerns about user safety, product sustainability and operating costs.

Key innovations of the new Alyza IQ Analyzer include drip-free connection technology that helps eliminate safety hazards associated with reagent spillage. The efficient design reduces both the amount of reagent required and liquid waste, creating a sustainable product with low operating costs. Miniaturization of the system led to the development of a revolutionary small reagent pouch that is simple and easy to handle - an advance over the typical large canisters, which create safety risks for operators and require specialized training and storage. Finally, the analyzer's compatibility with the IQ SensorNet platform gives customers the data they need to manage their operations.

DIGITAL SOLUTIONS

At Xylem, we believe digital solutions can create new efficiencies and benefits for our customer throughout all areas of our portfolio, from our robust foundational products like diesel dewatering pumps and wastewater pump stations to smart water meters and data analytics platforms that enable smart city infrastructure. In 2019, Xylem introduced a number of new digital solutions directly aimed at solving our customers' greatest challenges. Here are a few examples of those new additions.



SMART SOLUTIONS

- Smart Energy Solutions → Smart Lighting → SCADA
- Smart Water Solutions → Billing Apps → AI / Analytics Apps and Solutions
- Smart Gas Solutions

New Additions

Our YSI brand continued facilitating outdoor water monitoring with the 2019 introduction HydroSphere, a scalable collaborative data visualization platform. Xylem's cloud platform allows remote monitoring of water quality data such as pH, chemical levels, and life science parameters using YSI instruments from anywhere in the world. YSI is actively engaging early adopters of HydroSphere in its ongoing development.

INSTRUMENTATION

- Controllers → Gas Meters → Water Quality
- Water Meters → Weather Stations → Lighting Controller
- Energy Meters → Flow Meters

New Additions

Xylem's Sensus brand provides intelligent infrastructure solutions, including meters, sensors, communication networks and data analytics to help our customers operate efficiently and reliably, providing real-time information on resource consumption and system performance. The new Sensus Cordone!® high-performance static flow meter for commercial and industrial applications, launched in 2019, helps water utilities, industries and agriculturalists precisely measure flow, temperature and pressure data in real time providing the accuracy required for the reduction of non-revenue water and improved operations.

In 2019, Xylem launched the YSI Alyza IQ Analyzer, a reliable, low-maintenance solution for wastewater monitoring and control of phosphate and ammonia. Our new design radically reduces both the amount of reagent required and liquid waste, creating a highly accurate and sustainable product with low operating costs and improved operator safety. Alyza was the winner of our CEO Grand Prize Innovation Award (see page 36).

ROBUST FOUNDATION

- Drinking Water Treatment → Dewatering → Commercial and Residential Pumps
- Transportation Pump → Wastewater Treatment
- Utilities Communication

New Additions

In 2019, Xylem enabled a number of its pump offerings with onboard intelligence. The Godwin S Series of smart dewatering pumps' onboard intelligence was updated with the new generation of Xylem Field Smart Technology (FST). FST is an advanced telemetry and cloud based system that allows customers to monitor and control pumps from anywhere in the world. Improvements in the S series including migration to electric motors from diesel engines, the transition to higher fuel quality standards with EPA Tier 4 and EU Stage 5 compliant diesel engine technology, and improved fuel efficiency associated with FST implementation, have reduced the S series greenhouse gas emissions by 15 percent since 2018.

The Smart Pump Range offered by Xylem Goulds Water Technology was also expanded in 2019 to include the embedded e-SM drive. The built-in pump controls and monitoring reduce energy usage for customers. Xylem's Flygt brand also launched the MAS 801 pump monitoring system for wastewater transport. MAS 801 uses a 24/7 on-site overview of pump data and continuous station health check to detect pump failures before they can damage station infrastructure.

The recent global COVID-19 pandemic has highlighted the critical need for more robust and sustainable water infrastructure. With stay at home orders in place and fewer staff available to repair and operate critical infrastructure, many utilities faced significant challenges in maintaining continuity to keep water and other essential services flowing to their communities, and the need for more digitally-enabled operations became clear. Xylem's digitally powered and innovative solutions are force multipliers for talented, but stretched, teams of operators. They increase visibility into the status and stability of critical systems, reduce the risk of downtime, and provide the ability to recover quickly from operational challenges.

The goal of resilience planning is not only to recover from challenges, but to move forward stronger than ever. Global water crises in the future will come with a degree of unpredictability, so we should approach planning with humility about our ability to predict future needs and a commitment to constantly look for ways to advance innovation and sustainability across our portfolio of solutions. Xylem recognizes that whatever form future challenges take, deploying resilient and affordable technologies, including digital networks, will help water systems function even under great strain.

In 2019, Xylem and the International Water Association collaborated to interview 50 utility executives and 20 industry experts to better understand the state of digital water, as summarized in the report, ["Digital Water: Industry leaders chart the transformation journey"](#).



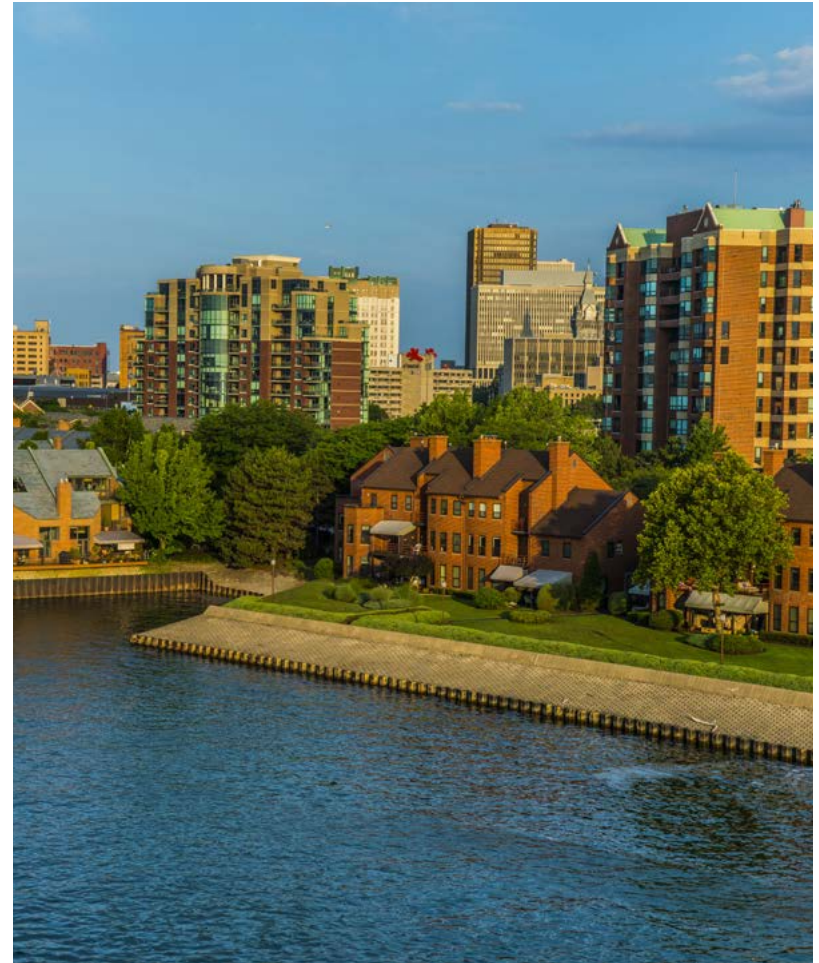
DECISION INTELLIGENCE

Connected products alone do not fully address today's water challenges. Modern digital decision support tools unlock the power of data to inform better system-level decisions today, while planning future outcomes for operations, maintenance and capital planning. Recent advancements in analytical technologies for water management mean that long-standing problems in our sector can finally be addressed in an effective and affordable way. Digital solutions are enabling dramatic improvements through better system controls, more efficient monitoring and diagnostics, more targeted investments, and a transition to a holistic model for system management. We call this approach to water management "Decision Intelligence," and these solutions are helping utilities and other water and essential services providers make progress on the problems that matter most to the communities they serve: water accessibility, environmental sustainability, resilience and affordability.

In 2019, Xylem [showcased](#) an example of visionary water providers making a profound difference for their communities by leveraging our Decision Intelligence technologies. Due to its mid-20th century sewer design, the city of Buffalo, NY, was experiencing nearly 2 billion gallons of combined sewer overflow annually, discharging into its receiving waterways. To remedy this, Xylem, along with the Buffalo Sewer Authority's engineers and consultants, worked together to begin designing and implementing a real time control program across the city.

The program focused on building and controlling inline storage vaults to transform the City's massive gravity sewer system into a managed conveyance and storage system. As of May 2020, six inline storage sites are live, and Buffalo Sewer Authority (BSA) is working to build and commission most of the remaining sites by the end of 2021. In 2019, these sites reduced Buffalo's combined sewer overflow volume by a total of 1.48 billion gallons. In 2014 BSA was able to present a revised long term control plan with a \$145 million reduction in budget due in large part to the real time control program, which has been even more successful than originally anticipated.

Against a backdrop of rising needs and limited resources, Xylem offers powerful tools to help utility leaders like those in Buffalo achieve superior performance as they serve their communities. <https://www.xylem.com/en-us/campaigns/act/decision-intelligence/>



MANAGEMENT APPROACH FOR INNOVATION

Innovation, digitization and decision intelligence are highly relevant topics to Xylem as they form the basis for much of the company's current strategic focus. These areas, which include intellectual property protection, are relevant to Xylem's operations, its customers and to some strategic partners, including suppliers and collaborators.

Our SVP, Chief Innovation, Technology, and Product Management Officer oversees Xylem's innovation strategy. The Board of Directors provides oversight related to innovation and technology, including through its Innovation & Technology Committee.

The responsibilities of the committee are set forth in its charter and include reviewing the Company's:

- Technology and innovation priorities in the context of overall corporate and innovation strategies and progress against those priorities.
- Annual technology and innovation plans and investments in R&D and progress against those plans.
- Key programs, processes and structures related to technology and innovation and approach to disruption and commercialization.
- Approach to management and development of technical talent.
- Approach to product safety.



MANAGEMENT APPROACH FOR CONNECTED PRODUCTS (E.G., DATA SECURITY AND PRIVACY)



Xylem is a technology company with a commitment to innovation and to addressing the security needs for all of our solutions through continuous improvement. Along with a risk-based security design and implementation approach, our engineering, development and cybersecurity teams remain diligently focused on the identification and eradication of security vulnerabilities. Our practices include:

- Implementation of Security by Design Principles throughout the product development lifecycle.
- Collaboration with **InfraGuard**, a partnership between the Federal Bureau of Investigation and members of the private sector.
- Membership in the Water Information Sharing and Analysis Center (ISAC), the international security network created by and for the water and wastewater sector www.waterisac.org.
- Achievement of Smart Grid Achilles security certification for Sensus FlexNet 2.2, an industry first.
- A comprehensive cybersecurity program and team, which follow the ISA/IEC 62443, ISO/IEC 27001 Information Security Management and National Institute of Standards and Technology Cyber Security Framework standards.

Xylem's data security is managed by our VP, Chief Information Security Officer, and ultimately approved by our SVP, Chief Innovation, Technology, and Product Management Officer. Please visit www.xylem.com/security for our most up to date information related to cyber security.

Xylem has an online [privacy policy](#), available on our corporate website, which outlines the type of information the site collects; how the company uses personal data; use of cookies and beacons; and how the company shares personal data with third parties. The privacy policy is based on various privacy laws including the European Union General Data Protection Regulation. Xylem also assesses the impact of its policy against laws in other countries and in some states like California. Xylem's privacy policy is owned and approved by our Data Privacy Officer and our Chief Compliance Officer.

The customer data we collect is largely limited in scope to names and professional contact information. As our product and service portfolio expands to include more connected devices, we are evolving the policies and protocols necessary to ensure data security according to the nature of the product's function. Pump controllers that communicate with each other at different monitoring locations, for example, only supply performance data and do not involve the transmission of any personal data.

Xylem's risk-based approach to data privacy includes a focus on employee personal data through program localization in Europe to comply with the General Data Protection Regulation, driving company-wide awareness through procedures to review the legal basis for processing personal data and implementing contract review protocols to protect personal data we and our third parties handle.

Intellectual Property



Xylem undertakes research and development efforts on a wide range of products and services relating to transporting, treating, testing and tracking the quality of water and wastewater as well as the remote management of utility resources. From time to time these efforts yield new products and services with proprietary technologies as well as unique branding having protectable intellectual property rights. Xylem's activities relating to intellectual property rights are focused on sustaining the competitiveness of the proprietary technology and branding resulting from Xylem's innovation efforts.

- **Xylem's management of its intellectual property is generally guided by its corporate Intellectual Property policy.** One part of Xylem's corporate Intellectual Property policy is to protect its intellectual property rights, including its patents, trade secrets, proprietary technical information, trademarks, service marks, trade names, and copyrights. Under Xylem's Intellectual Property Policy, employees are required to notify their managers of any new: 1) innovations for which patent, design patent or other intellectual property protection may be appropriate, or 2) trademarks, service marks, trade names or product names for which formal trademark protection may be sought. The Intellectual Property Policy also includes a patent award program. Patent filing and grant bonuses may be paid to Xylem employee-inventors, which encourages prompt disclosure of patentable inventions relevant to Xylem's business and to assist the Xylem Intellectual Property team (outlined below) procuring patents and protecting Xylem inventions. Employee-inventors are also eligible to receive the equivalent of the patent filing bonus if it is determined that an otherwise patentable invention should be retained as a trade secret rather than filed in a patent application.
- **Xylem's Product Development (XPD) process facilitates its corporate Intellectual Property Policy by respecting the intellectual property rights of third-parties.** Another aspect of Xylem's corporate Intellectual Property Policy is to respect the valid intellectual property rights of third parties. As part of the Xylem Product Development process, Xylem conducts patent searches to identify third-party

patents that may present obstacles to the commercial launch of products or services being developed. To the extent that any third-party patent is identified as a potential obstacle, Xylem will either design around the third-party patent or seek out a licensing arrangement with the third-party patent owner. If neither a license nor design around are commercially feasible, the XPD process will terminate the development effort. Xylem also searches public trademark registers to ensure that any proposed branding for its new products and services will not conflict with third-party trademark rights.

- **Intellectual Property Training for Employees.** Intellectual property training is provided to Xylem employees that are closely involved in the XPD process. The training enables our employees to understand the importance of intellectual property rights to protect proprietary technologies and brands to sustain Xylem's competitiveness in the conduct of Xylem's business and to understand Xylem's Intellectual Property Policy.
- **Xylem's intellectual property activities are managed collaboratively between Xylem's Legal and Technical employees.** Intellectual property protection at Xylem is a collaborative effort between employees in our Legal group, including our SVP, General Counsel & Chief Sustainability Officer, our VP, Chief Intellectual Property Counsel, and our Chief Technology Counsel, and personnel in our Innovation, Technology and Product Management group, including our SVP, Chief Innovation, Technology and Product Management Officer and Leaders of Xylem's Innovation, Technical and Product Management Council. The collaboration results in an intellectual property portfolio that is aligned appropriately with the business of Xylem to protect its proprietary technologies and brands. At the end of 2019, Xylem had approximately 3,058 patents, 1,425 patent applications, 2,045 trademark registrations and 175 trademark applications spread over 103 countries.

Product Life-Cycle

 MATERIAL TOPIC

As an advocate of environmental stewardship and the needs of our customers, we embed sustainability throughout our products' life-cycle, including the development, manufacture and proper disposal of used electronic equipment. We take a holistic view of recycling and waste minimization and apply this philosophy to our products from the outset, beginning in the design stage by creating compact, efficient products that use high-recycling-value materials wherever possible.

For many products, this intention is realized by performing a life-cycle assessment of the product, a comprehensive and quantitative assessment of the collective impact from a product's manufacturing, use and disposal. Once the life-cycle assessment is completed, for some products the results are used to develop an Environmental Product Declaration (EPD). EPDs are certified in accordance with the ISO 14025 standard and are part of the International EPD System. The EPD System creates an international, standardized process for understanding and comparing the environmental impact of products.

We have developed recycling guidelines within most of our businesses, which are included in our "Installation, Care and Maintenance Manuals." The recycling guidelines provide that our customers should initially follow local laws and regulations regarding recycling of units/parts through an authorized recycling company. If local laws and regulations are not applicable, then the unit or parts should be returned to Xylem.

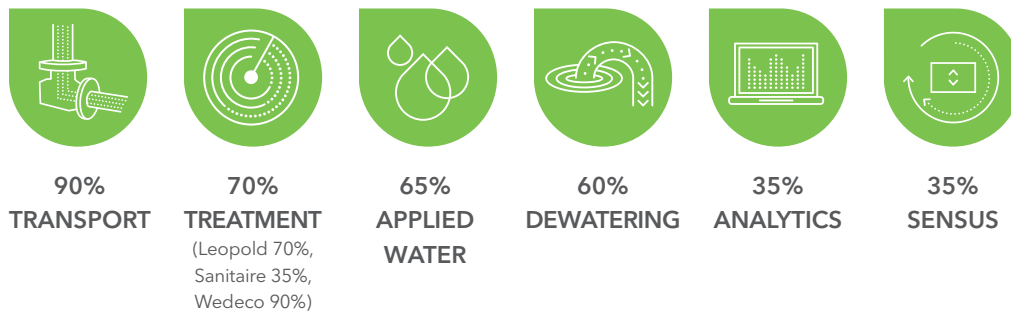


We've also created processes and programs that encourage and facilitate the proper disposal of our instrumentation at the end of its useful life. For example, Xylem offers customers a [free recycling program](#) of YSI environmental water quality instruments, probes and cables. The program's goal is to make sure old equipment is processed in an environmentally friendly way and reduce the amount of materials going to landfills. Any YSI product can be sent back for recycling at any time with or without the purchase of a new system. The program takes back similar water quality instrumentation – regardless of manufacturer or model – with the purchase of a new YSI system. The company also participates in recycling programs in Europe as part of our global commitment.

Our monitoring and control and Wedeco businesses incorporated a take-back program which follows local regulations and the EU Directive 2012/19/EU on Waste Electrical and Electronic Equipment (WEEE). The businesses provide for proper collection, treatment, recovery and environmentally sound disposal of products.

With programs like these in place, we estimate that, **overall, 60 percent of our products can be recycled.**

PERCENT OF MATERIALS THAT CAN BE RECYCLED AT END-OF-LIFE



MANAGEMENT APPROACH FOR MATERIALS

The environmental impact of our products is important to Xylem, our customers and the local communities that utilize our products. This topic is managed by our product development teams, who report to our SVP, Chief Innovation Technology and Product Management Officer.

For each new product developed, a simplified Life-Cycle Assessment is conducted through the use of an Environmental, Health and Safety (EHS) and Sustainability Design Review Form, internally created as part of the Xylem Product Development Process (XPD). The EHS Design Review Form covers the different states in the product life-cycle, such as raw materials, production, use and end-of-life aspects. The results of this process are assessed, and design modifications are suggested where needed.

Product Safety



The safety of our products and systems is of the highest priority, both to ensure the resilience of our business and compliance with applicable laws and regulations, and to honor the trust that our customers and employees place in us to deliver safe products.

Our products offer high levels of safety for the technicians, engineers and others who use our products regularly. For instance, the PipeDiver Laser, a breakthrough technology to enable utilities to monitor pipe-joint gap measurements, was nominated for the [2019 Aquatech Innovation Award](#). The PipeDiver Laser provides operators with a safer, easier and less costly alternative to putting operator crews in dangerous, confined spaces.

Despite our best efforts, our products and systems may occasionally experience early failure or malfunctions affecting their ability to perform their intended function. We take extensive steps in our product development to make sure these events are rare. However, when failures occur, we investigate them to learn from what happened and take measures to address the root cause of the failure in the product design.

Product safety incidents are taken very seriously within Xylem. We have a well-established, robust and enterprise-wide product safety process and governance structure that is reviewed by the Innovation & Technology Committee of the Board. Local facility, business unit and corporate level Product Safety Boards are in place to ensure adherence to our product safety policy and manual. All existing products in our portfolio have undergone a thorough risk analysis to identify where corrective action is required, and product safety is integrated into our new product development process. Incidents are recorded across Xylem and escalated to the corporate Product Safety Board. Seven product safety incident inquiries were opened in 2019; one was proven unrelated to product safety and corrective actions have been put into action for the remaining six.





MANAGEMENT APPROACH FOR PRODUCT SAFETY

Product safety governance is reviewed by the Innovation & Technology Committee of the Board and has a formal business unit and corporate structure.

The Xylem Product Safety Steering Committee reviews all product safety-related incidents at a corporate level to track their management and share best practices within our company.

Xylem Product Safety management system consists of:

- Product safety review boards at product line, business unit and corporate level.
- A reference product safety manual describing the system, roles and responsibilities, and annual trainings.

At Xylem, we conduct safety risk assessments on all new products and changed products where the design revisions have a potential impact on safety. Product safety is considered for the entire life cycle of the products including installation, operations, maintenance and end of life.

Our approach integrates:

- A pro-active process: Product safety risk is evaluated and documented for each new product during development. Unacceptable risks have to be mitigated by design.
- A reactive process: All product safety related incidents are analyzed by a local product safety coordinator and escalated to the appropriate product safety review board, depending on its gravity, for the mitigation plan.

Our Research and Development Technology Director is first to respond to product safety incidents. Our SVP, Chief Innovation, Technology, and Product Management Officer is ultimately responsible for the program.

CHAPTER 6

Building a Sustainable Company

Developing a healthier and more sustainable world depends on companies like Xylem to operate with integrity, minimize environmental impacts, and promote an inclusive and diverse workplace.



Operations

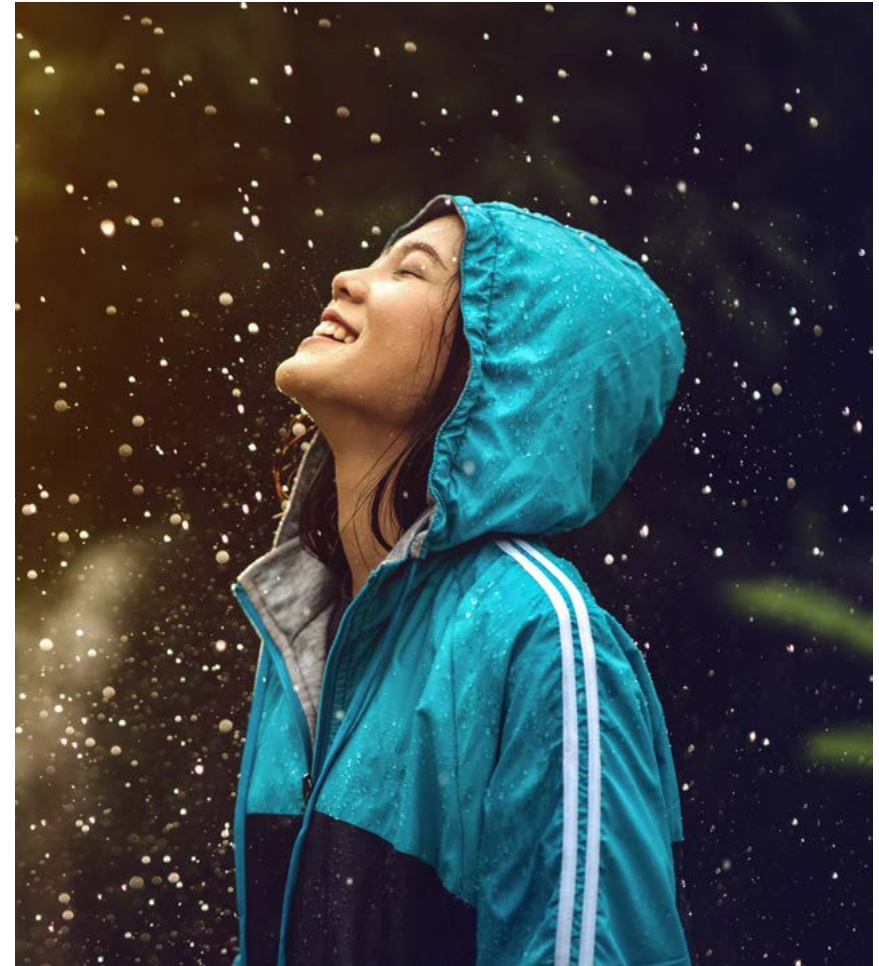


WATER AND EFFLUENTS

Efficient use of water is one of the most complex, challenging and important issues our planet faces. As a signatory to the United Nations (UN) CEO Water Mandate, a UN Global Compact initiative that mobilizes business leaders on water, sanitation and the Sustainable Development Goals, we are committed to continuous progress against six core elements of water stewardship: direct operations, supply chain and watershed management, collective action, public policy, community engagement, and transparency. This mandate makes responsible water consumption within our operations a major focus at Xylem and helps us to better understand and manage our own water use risks.

In 2014, we announced a goal to reduce our water use intensity 25 percent by 2019 and have achieved a 20 percent reduction to date. While we have made important progress, factors that affected these results include a significant increase in the number of facilities properly reporting water use since 2014. To accelerate our efforts to reduce water intensity, we are committed to employing 100 percent process water recycling at our major facilities by 2025 using Xylem technologies and equipment as much as possible.

As part of this commitment, we recognize the risk of runoff and sewage spills caused by neglecting wastewater management. All Xylem facilities 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, 12 of our manufacturing facilities have installed on-site wastewater treatment systems. In 2019, those facilities treated and released over 56 megaliters of treated water back into the environment.





The upgrade of the existing wastewater treatment system at our Shenyang, China, facility contributed to our overall reduction in water use intensity in 2019. This included the installation of Xylem products (Flygt, Steady and Lowara pumps, Sanitaire aerator and Wedeco ozone generator), allowing the facility to treat its wastewater and reuse it for test tanks, facility cleaning, toilet flushing, landscaping and sprinkler system refilling. The facility reduced its water withdrawal by 25 percent from 2018 to 2019 and increased its water reuse by 42 percent.

During 2019, facilities including Montecchio, Italy; Texarkana, US; and Stara Tura, Slovakia delivered significant water intensity savings by improving their processes, controls, testing practices, and equipment achieved significant (4 or more megaliters year-over-year) reductions in water consumption.

We further demonstrate our commitment to solving water through the use of our products to help those living in water-stressed areas. Our [Hydroinfinity product](#) is being used at facilities to treat non-potable water without the use of chemicals to independently verified drinking water standards. Electronic sensors and remote monitoring enable continuous monitoring of the water quality and allow us to adjust as necessary. For example, our facility in Chihuahua, Mexico, located in a high-risk water stress zone, uses Hydroinfinity units to enhance the quality of reused water in a pump washing water recirculation loop.

WATER DISCHARGE AND INTENSITY AND WATER CONSUMPTION* (IN MEGALITERS)

	2018	2019
Total Water Withdrawal	458.5	442.9
Total Volume of Water Recycled and Reused	34.0	51.8
Total Water Treated and Released	86.1	56.7
Total Sales (MUSD)	5,200	5,250
Total Water Intensity	0.0882	0.0844
Percentage of water recycled and reused	7.4%	11.7%

Read the Assurance Statement on page [100](#).
 Values provided for all Xylem facilities.

WASTE

To minimize the amount of waste being sent to landfills and incinerators, we work with our waste contractors to direct materials to be recycled and reused wherever feasible. We also implement internal activities such as Point Kaizens and other continuous improvement initiatives to eliminate or reduce waste from our operations. Since 2014, we have improved waste reduction reporting by our facilities, improved internal activities and cooperation with our outside partners.

In 2019, we discovered that a contractor did not follow our guidelines to use recyclable sand from one of our foundries in road construction, and instead sent it to landfill, causing our waste to landfill metric to increase. We have taken action to rectify the situation and terminated the contractor, teamed with a new partner and implemented new audit protocols for our waste/recycling haulers globally.

As a result of this diligence and our commitment to responsibly managing waste, no significant spills were reported at any of our operations in 2019.



WASTE BY TYPE AND DISPOSAL METHOD (METRIC TONS)

	2018	2019
Non-Hazardous Waste Recycled	22,073	21,772
Non-Hazardous Waste to Non-Landfill	1,436	1,557
Non-Hazardous Waste to Landfill	5,104	9,132
Total Non-Hazardous Waste	28,613	32,461
Hazardous Waste Recycled	358	399
Hazardous Waste to Non-Landfill	974	958
Hazardous Waste to Landfill	114	111
Total Hazardous Waste	1,447	1,467
Total Waste Recycled	22,432	22,171
Total Waste to Non-Landfill	2,410	2,514
Total Waste to Landfill	5,218	9,243
Total Waste	30,060	33,929

In 2020, we are pivoting to focus on our 2025 goal of zero process waste to landfill at major facilities. To accomplish this, we plan on executing the following plans in 2020:

- **Implement** a grassroots recycling program utilizing Xylem Now to communicate and share with employees
- **Identify** major facilities already reporting zero process waste to landfill
- **Monitor** the program via monthly data reviews with our EHS leadership team
- **Consistently** review and update our plans based on emerging information

SUSTAINABLE PACKAGING

To promote sustainability in our product packaging processes, we launched a world-wide Packaging Sustainability Team in November 2019, to review current packaging-sustainability performance, evaluate sustainable packaging options and recommend measures to improve packaging sustainability. The team is addressing corrugate and paper packaging and wood products, and is also reviewing applications for labels and decals, technical publications and printed materials, and general packaging (films, banding and strapping, tapes and adhesives, and void-fill materials).

Key objectives of the Packaging Sustainability Team include:

- Design for recovery (re-use of packaging, material recyclability and/or using renewable content)
- Address packaging materials (promote sustainable content and minimize total material content)
- Design for transportation efficiency
- Design for accessibility (assembly and lifecycle service access)
- Provide consumer information on environmental sustainability



WATER SECURITY



MATERIAL TOPIC

MANAGEMENT APPROACH FOR WATER AND EFFLUENTS

In alignment with our water management goals for 2025, we are identifying operations with water-intensive processes and exploring opportunities to reuse or recycle water wherever feasible. Facilities with higher usage rates or in water-scarce areas are being prioritized. The program is led through the Environmental, Health and Safety team, with policies approved by our VP, Environment, Health, Safety and Sustainability and our SVP, General Counsel & Chief Sustainability Officer.

We manage this topic with the following tools:

- **The Eco Project Deck**, an application within our Environmental, Health and Safety metric database that allows Xylem to track projects such as energy treasure hunts and other facility environmental projects, from the simple to the most complex.
- **The Aqueduct Water Risk Atlas**, developed by the World Resources Institute, is used to determine which Xylem facilities are located in water-stressed or water-scarce areas; this tool is being used at manufacturing facilities, sales and service facilities and large office-only facilities.
- **A water footprint calculation tool** to help decrease water use across our supply chain.



CLIMATE CHANGE



MATERIAL TOPIC

CLIMATE AND WATER RISKS

Climate change will exacerbate the complex, global water challenges that lie at the heart of Xylem's work. Physical climate-related risks such as sensitivity to flooding, drought conditions and unpredictable fluctuations in temperatures and weather patterns can all drive volatility within our business, including increasing demand for our portfolio of solutions that help communities build resilience. In addition, transition risks could affect our business, such as the adoption of new environmental laws and regulations and the potential inability to capitalize on innovative or disruptive technologies.

As a water technology company, many of the world's climate-related strategies provide opportunities for our business and are fully integrated into our strategy, enabling us to create shared value with customers. We are focused on delivering more energy efficient products and solutions to allow our customers to significantly reduce their emissions. Our ability to help our customers significantly reduce their carbon and water footprints through our products is a key strategic differentiator for us, and a powerful opportunity and responsibility.

To realize this opportunity, we are developing mitigation and adaptation solutions that will improve the efficiency of the water sector and increase water systems resilience to the water-related challenges associated with climate change. Our efforts include reducing our own water footprint, but more importantly focusing on delivering significant water, energy and cost efficiencies to the water and other essential service providers we serve around the globe. This enables us to create an exponential effect, where we are advancing sustainability for multiple partners across multiple geographies.

To read more about Xylem's response to climate change, please see our [2019 CDP Climate Change Report](#).



ENERGY AND EMISSIONS

Electricity consumption is the largest contributor to greenhouse gas (GHG) emissions associated with our operations. By encouraging our facilities to reduce energy use and increase investments in renewable energy, we aim to lower our GHG emission intensity levels. We are making significant progress, from identifying our highest-emitting activities to engaging employees across our company to adopt a more energy-efficient mindset.

XYLEM GOAL

20% reduction in net GHG emissions intensity by 2019

XYLEM PROGRESS

28.3% reduction in net GHG emissions intensity through 2019



EFFORTS TO REDUCE OUR ENERGY CONSUMPTION

We attribute the achievement of our emission reduction goal largely to employees engagement. Some of our most successful initiatives to engage employees in energy-reduction efforts have been “energy treasure hunts” at select facilities, where cross-functional teams identify possible day-to-day energy-efficiency improvements. The goal is to find opportunities to reduce energy use, costs and GHG emissions related to energy – many of which are low- or no-cost improvements that are 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 and other activities that identified energy efficiency opportunities were conducted at 20 Xylem facilities in 2019, some within our highest resource-consuming facilities. Three of our facilities are certified to ISO 5001 for energy management.

ECO PROJECT DECK 2019 TRACKED PROJECTS

RECOMMENDED PROJECTS	PURSUED PROJECTS	DIVERTED CARBON EMISSIONS (tons)	SAVED ENERGY (kWh)
62	32	406	601,000

During 2019, we capitalized on the benefits of our investments in five energy reduction projects involving replacement of less-efficient lighting units with light-emitting diode (LED) lighting at major facilities and from several other opportunities like compressed air efficiencies, equipment turn off after hours and other LED replacements in smaller facilities. The estimated yearly impact/reduction of those projects is around 5,000,000 kWh per year of electricity and 250 tons per year of CO₂ emissions.

We continued to purchase renewable or “green” energy credits and renewable energy in 2019 to further reduce our environment impact. As of year-end 2019, 63 Xylem manufacturing facilities and sales offices purchased or generated electricity from renewable sources.

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.

LOOKING FORWARD: 2025 GOAL

Part of our effort to build a sustainable company includes transitioning our business away from fossil fuels and reducing water waste. To that end, two of our 2025 goals are to use 100 percent renewable energy and 100 percent process water recycling at our major facilities. We are in the early stages of planning and investing in our facilities to further reduce overall energy and water consumption in order to reach our new target.

METRIC	2025 GOAL
Use 100 percent renewable energy at major facilities	22 sites
Use 100 percent recycled water at major facilities	22 sites

PRODUCT ENERGY-EFFICIENCY IMPROVEMENTS

In 2019, new products developed within the Applied Water Systems business are bringing an average energy-efficiency improvement of 2 percent compared to 2018, representing cumulative savings of 181,000 metric tons of CO₂ equivalent between 2019 and 2025. New products developed in the Transport business are bringing an average 0.2 percent average energy-efficiency improvement per year, leading to cumulative savings of 280,000 metric tons of CO₂ equivalent between 2019 and 2025.

In 2019, iPerl smart meters developed in our Sensus business continued reducing driving distance of vocational vehicles, leading to expected cumulative savings of 143,000 metric tons of CO₂ equivalent between 2019 and 2025. Also, product developments by our Dewatering business reduced emissions of diesel dewatering pumps by more than 14 percent, compared to 2018, leading to anticipated cumulative savings of 1,236,000 metric tons of CO₂ equivalent between 2019 and 2025.

More efficient pumps will reduce the overall demand for energy and thereby reduce greenhouse gas generation. Xylem’s Bell & Gossett and Goulds Water Technology brands have led the way in complying with US Department of Energy and Natural Resources Canada regulations to eliminate 25 percent of the poorest performing clean water pump products from the marketplace. Many of our products were in compliance three years in advance of the rule’s effective date in January 2020 and will provide customers energy savings for decades to come.

Our Vitality Index – the percentage of total sales from new products and services launched in the last five years – is another key indicator of efficiency and sustainability. New product designs are almost always more sustainable and energy efficient than the products they are replacing. At the end of 2019, vitality index was 25 percent, an increase of 4 percentage points from 2017. This is a strong indicator of our efforts to build a more robust innovation ecosystem, and our commitment to delivering innovation that helps solve customers’ critical water issues.

MINIMIZING BUSINESS TRAVEL AND LOGISTICS

Global travel and logistics are high-emitting components of Xylem's business operations. Through travel curtailment efforts, **Xylem reduced its global business travel spend by more than 19 percent from 2018 to 2019 which represents close to 9 percent reduction in scope 3 indirect greenhouse gas emissions.** The reduction was achieved even though in 2019 we counted an additional Scope 3 source that was not quantified during 2018. We achieved these results through a cross-functional Travel Modernization Team, which refined and modernized Xylem's Travel Policy. Additionally, the revised Xylem Travel and Security Policy became effective December 2, 2019. In conjunction with the new policy and curtailment efforts, Xylem added a managerial pre-trip approval process that is integrated into the agency booking process and corporate travel programs online booking tool.

We are in the second year of implementing a global initiative to optimize logistics and transportation. For instance, we reduced our carbon footprint and optimized logistics by consolidating shipments from two suppliers from Mexico to the same Xylem facility. This optimization alone enabled us to reduce transportation costs by about \$110,000 annually.

Xylem also extended spending curtailment into the fleet category, as many North America fleet renewals have been delayed into 2020 to balance capital expenditures and lease expenses with maintenance expenses and fleet reliability. A new EU Fleet Policy is being developed with a targeted implementation of the third quarter of 2020. The policy will streamline the vehicle selection by tier eligibility, expand fuel options beyond the current offering, which features 95 percent plus diesel models, specify petrol (gasoline) models, and promote sustainability choices, to include hybrid vehicles and fully electric models.



ENERGY CONSUMPTION*

	2018	2019
DIRECT ENERGY BY TYPE (MWh)		
Renewable Electricity Generated	333	1,031
Natural Gas Used	95,869	100,175
Stationary Sources Gaseous Propane	1	0.4
Stationary Sources Liquid Propane	3,594	2,318
Stationary Source Fuel Oil	5,882	5,419
Total Stationary Energy Usage (MWh)	105,679	108,943
Mobile Source Gasoline	4,847	4,612
Mobile Source Diesel	85,832	76,993
Mobile Source Liquid Propane	0.16	0.16
Total Mobile Energy Usage (MWh)	90,679	81,605
Total Direct Energy Usage (MWh) = Stationary + Mobile (MWh)	196,358	190,548
INDIRECT ENERGY BY TYPE (MWh)		
Purchased Electricity	171,739	167,232
Purchased Heat	10,131	8,498
Total Indirect Energy Usage (MWh)	181,869	175,730
Total Energy Consumption (MWh)	378,228	366,278

*Values in this table have been restated for: Correction of 2018 reporting errors for Renewable Electricity, Natural Gas, Gaseous Propane, Fuel Oil, Gasoline, Diesel, Liquid Propane, Purchased Electricity and Purchased Heat, Total Stationary, Mobile, Direct, Indirect and Total Energy Usage. Changes mainly related to conversion units used, classification of energy type and addition of renewable portion of Heat for 1 facility. The Total Energy Consumption correction for 2018 was 4.47 percent.



	2018	2019	PERCENT OF CHANGE
*Energy Intensity (MWh/MUSD)	72.7	69.8	4.1

*Values in this table have been restated for: Correction of 2018 reporting errors for Energy Intensity, derived from energy consumption corrections described in Energy Consumption chart. The Energy Intensity correction for 2018 was 4.47 percent.

SCOPE 1 EMISSIONS*

DIRECT GREENHOUSE GAS (GHG) EMISSIONS BY TYPE

(metric tons CO₂ equivalent)

	2018	2019
Natural Gas Used	17,378	18,158
Stationary Sources Gaseous Propane	0.1	0.1
Stationary Sources Liquid Propane	753	485
Stationary Sources Fuel Oil	1,482	1,365
Cryogenic CO ₂	1.3	1.3
Refrigerant Use	663	532
Total Stationary GHG Emissions	20,277	20,543
Mobile Source Gasoline	1,274	1,212
Mobile Source Diesel	23,090	20,713
Mobile Source Liquid Propane	4	4
Total Mobile GHG Emissions	24,368	21,929
Total Direct GHG Emissions	44,645	42,471

*Values in this table have been restated for: Correction of 2018 reporting errors for GHG Emissions from Natural Gas, Gaseous Propane, Liquid propane, Fuel Oil, Gasoline, and Diesel for this chart. Changes mainly related to conversion units used and classification of energy type. Correction of 2018 reporting errors for Total Stationary, Mobile and Direct GHG Emissions as a result of the corrections described above. The Direct GHG Emission correction for 2018 was 4.8 percent.

SCOPE 2 EMISSIONS*

INDIRECT GREENHOUSE GAS (GHG) EMISSIONS BY TYPE

(metric tons CO₂ equivalent)

	2018	2019
Purchased Electricity	58,147	48,354
Purchased Heat	1,805	1,773
Total Indirect GHG Emissions	59,952	50,127
Scope 2 Location-Based	59,952	50,127
Scope 2 Market-Based	41,120	28,763

*Values in this table have been restated for: Correction of 2018 reporting errors for Purchased Electricity & Heat, Scope 2 Location & Market Based and Total Indirect GHG Emissions. Mainly related to emission factors used for a few facilities and GHG Emissions addition of renewable portion of Heat for 1 facility. The Indirect GHG Emission correction for 2018 was 0.54 percent.



ENERGY INDIRECT (SCOPE 3) GHG EMISSIONS

2019 SCOPE 3 INDIRECT EMISSIONS DUE TO BUSINESS TRAVEL

(metric tons CO₂)

	2018	2019
Air Travel	11,762	10,221
Hotels	553	724
Car Travel	504	709
Total for Scope 3 Emissions	12,819	11,653

TOTAL GREENHOUSE GAS (GHG) EMISSIONS INTENSITY*

(metric tons CO₂ equivalent/annual revenues in millions USD)

	2018	2019
Total GHG Emissions (metric tons CO ₂)	104,597	92,598
Total Sales	5,200	5,250
Total GHG Emissions Intensity	20.11	17.64
Purchased Renewable Energy Credits (mtCO ₂ e)	17,759	17,605
Renewable Electricity Generated	243	681
Renewable Purchased Heat	9	6
Net GHG Emissions (including renewable electricity)	86,586	74,306
Total Net GHG Emissions Intensity	16.65	14.15

*Values in this table have been restated for: Correction of 2018 reporting errors for Total GHG Emissions, Purchased Renewable Energy Credits and Renewable Electricity Generated. As mentioned before, changes mainly related to emission factors used for a few sites and GHG Emissions addition of renewable portion of Heat for 1 site. Also, Renewable Purchased Heat emission for 2018 was added. Correction of 2018 reporting errors for Total GHG Emissions Intensity and Total Net GHG Emission Intensity. For both, the Emission correction for 2018 was 3.38 percent.

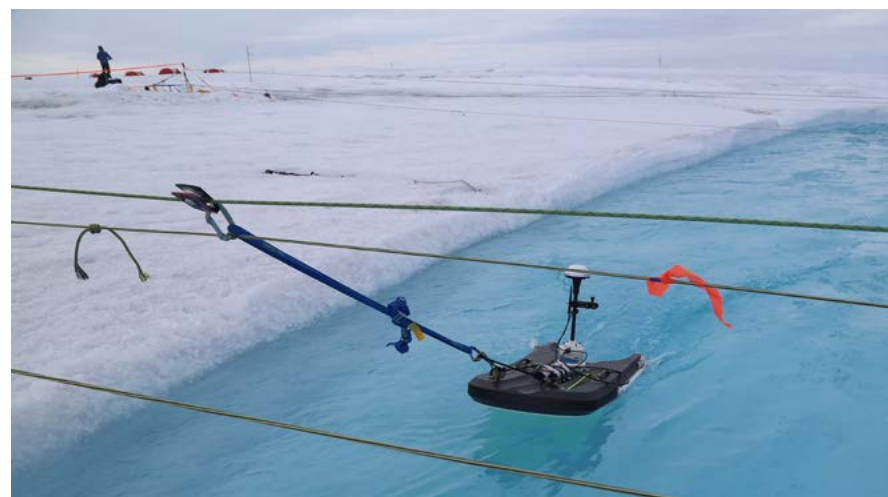
MANAGING AIR EMISSIONS

Central to our commitment to reduce air quality emissions, we are moving away from using paints that contain volatile organic compounds (VOCs) and toward water-based painting systems in our operations. In 2019, progress in this area was achieved at our Shenyang, China, and Morton Grove, US facilities. Where this is not possible, we are generally destroying VOCs or using materials with lower VOC content. Our production facility in Emmaboda, Sweden, burns VOCs and reuses heat from its painting process.

AIR EMISSIONS

	2018	2019
Volatile Organic Compound (VOC) Emissions (metric tons)	121	89.4

*Values in this table have been restated. VOC added for 2018 after receiving results for yearly estimation in a major factory during second quarter, 2019.



MANAGEMENT APPROACH FOR CLIMATE CHANGE, ENERGY, EMISSIONS, EFFLUENTS AND WASTE, AND ENVIRONMENTAL COMPLIANCE

Xylem manages climate-related risks through a comprehensive Enterprise Risk Management (ERM) program with a five-part framework: Risk Appetite and Strategy, Governance and Organization, Policies and Procedures, Risk Management Process, and Monitoring and Reporting. The program establishes practical and sustainable policies, procedures and processes that help the company monitor, govern, prioritize and manage risk effectively. Risks are considered more than six years into the future and monitored quarterly. The ERM program informs Xylem's long-term sustainable business strategy and our climate-related opportunities.

Xylem holds itself to the high standards required for ISO and OHSAS certification. We currently have 60 facilities that are certified to ISO 14001: Environmental Management, 23 certified to OHSAS 18001: Health and Safety Management, 111 certified to ISO 9001: Quality Management and three certified to ISO 50001: Energy Management. For our 22 major manufacturing facilities as identified in the [GRI Index](#), 41 percent are certified to ISO 14001, 32 percent to OSHAS 18001 and 77 percent to ISO 9001.

Our [Climate Change Policy](#) is another way we manage our operational environmental impact, outlining our enterprise commitment to develop innovative mitigation and adaptation solutions for the water-related challenges associated with climate change.

The executive sponsors who are ultimately responsible for our sustainability program are our SVP, General Counsel & Chief Sustainability Officer, our SVP, Chief Marketing Officer, and our SVP, Chief Supply Chain Officer.



Ethics and Compliance



UPHOLDING HIGH ETHICAL STANDARDS AND ACCOUNTABILITY

We hold our employees and partners accountable to high ethical standards based on our core values of respect, responsibility, integrity and creativity. Our Code of Conduct embodies these values and outlines our expectations for how employees should handle interactions, transactions and business opportunities. All directors, officers and employees are required to adhere to the Code of Conduct, as well as local laws and regulations if more stringent than our Code of Conduct.

To ensure accessibility to all our employees and promote transparency with our customers, business partners, investors, and other stakeholders the [Code of Conduct](#) is posted publicly in 26 languages. Our [Supplier Code of Conduct](#) is publicly available in 18 languages and integrated into our standard contracts and anti-corruption due diligence process.

The Audit & Finance Committee and Nominating & Governance Committee of our Board of Directors oversee our Ethics & Compliance Program (as shown in the chart below) and receive regular updates.

OVERSIGHT RESPONSIBILITY	AUDIT & FINANCE COMMITTEE	NOMINATING & GOVERNANCE COMMITTEE
Ethics & Compliance Program (including policies, training & communication, investigations)	X	
Anti-Corruption Program (including policies, procedures and third party due diligence/risk)	X	
Trade Compliance Program		X
Environmental, Health and Safety Program		X
Harassment Prevention Program		X

EDUCATION AND TRAINING PROGRAMS

We equip employees with the tools and training necessary to meet our high ethical standards. New employees receive training on our Code of Conduct, harassment prevention, cybersecurity and anti-corruption as part of our global onboarding process. All employees participate in periodic compliance- and ethics-related training and receive training on the Code of Conduct on at least a biennial basis.

Through Code of Conduct training, employees gain an understanding of our values and the types of behaviors, actions and decisions that support these values. In 2019, we achieved our 95 percent training completion target. After training, employees certify that they understand how the Code applies to their jobs and how to comply with its provisions. We regularly monitor ethics and compliance trends (including reports filed with our Xylem Integrity Line, our 24-hour confidential reporting portal) and company and industry-wide developments and regulations and update the Code of Conduct training accordingly. Also, employees in departments such as Human Resources, Finance, Legal, Ethics and Compliance, and Sales and Marketing receive anti-corruption training in person and/or online based on current trends and industry-wide developments.

Our ethics and compliance trainings are conducted both online and in-person. In addition to Code of Conduct training, online trainings in 2019 included harassment prevention, cybersecurity and trade compliance. Online anti-corruption training is conducted every two years and is next scheduled for 2020. In 2019, we conducted almost 3,900 in-person hours of live ethics and compliance training on compliance topics such as Code of Conduct, harassment prevention, anti-corruption, data privacy, trade compliance, conflicts of interest and reporting issues. We also conducted robust in-person training for our global Human Resources and Legal department employees on responding to harassment allegations.

REPORTING MECHANISMS

We've adopted straightforward mechanisms for employees and other stakeholders to report their concerns and instances of observed or suspected misconduct. We provide multiple reporting channels so that individuals can report in a way most comfortable for them:

- **[Xylem Integrity Line](#)**. This 24-hour confidential reporting portal is available to employees, suppliers and customers with language support in all of Xylem's key languages. Reports can be made through the website or by phone, and can be made anonymously, where legally permitted, through the same mechanisms.
- **Ombudsperson network**. Globally, there are over 75 ombudspersons available to receive employees questions and reports about ethics and compliance concerns. Ombudspersons are required to take all reasonable and legally permissible steps to protect the identity of all those who report possible violations in good faith.
- **Management, Human Resources, Legal, Internal Audit, and Ethics and Compliance Team** (including the *Chief Compliance Officer*). Employees are encouraged to raise concerns directly with any of these internal parties.
- **Audit & Finance Committee of the Board**. Concerns can be brought directly to this committee, which is independent of management.

INTEGRATING OUR COMMITMENT TO ETHICAL BUSINESS INTO OUR RISK PROCESSES

We conduct an annual risk assessment of bribery and corruption risks facing our business and sales teams. The identified risks are monitored closely and are considered when updating Xylem's internal policies. Our internal audit department also conducts regular audits of certain facilities to review compliance with Xylem policies and regulations such as the US Foreign Corrupt Practices Act. The Ethics & Compliance department, which sits under the General Counsel, is responsible for the governance of our anti-corruption program.



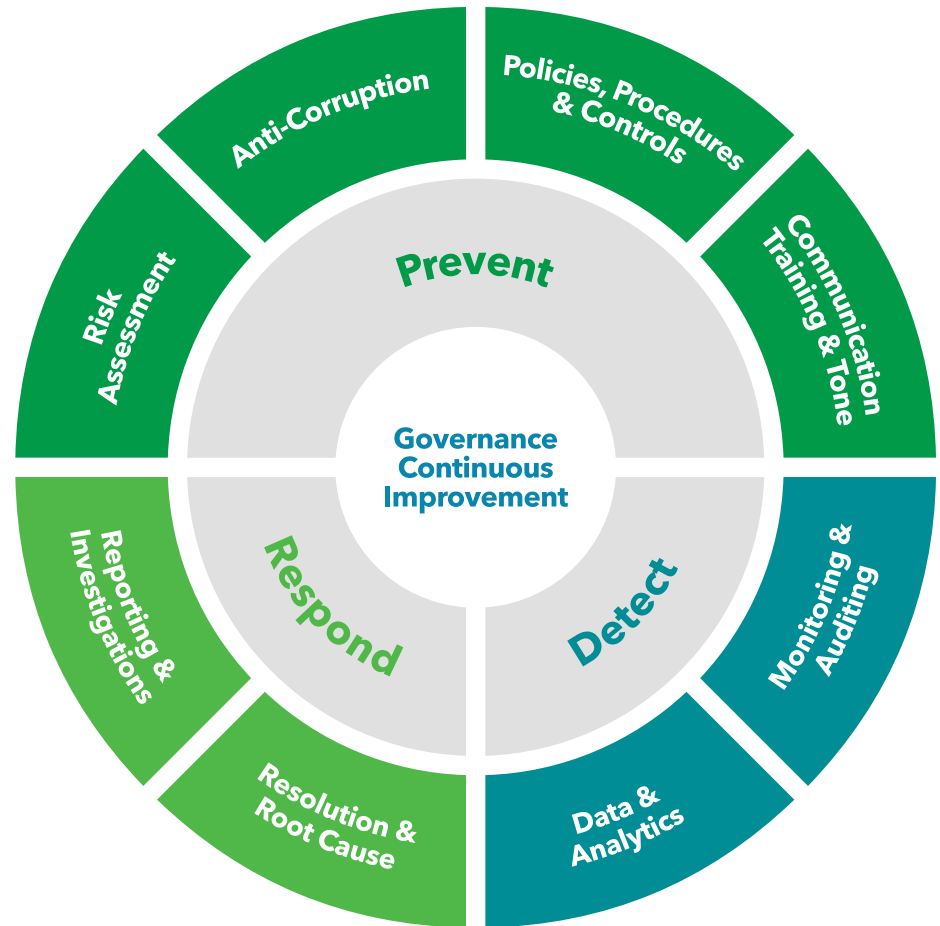
Xylem's anti-corruption due diligence framework allows us to identify third parties that are classified as higher risk. As part of the third party screening process, third parties must certify alignment with our Code of Conduct and contractually agree to comply with all applicable anti-corruption and anti-bribery laws. We require third parties to complete online anti-corruption training through our due diligence platform to help them understand how to remain compliant. Our due diligence is renewed on a periodic basis depending on a risk ranking algorithm. Additionally, in 2019 in-person compliance training was delivered to key commercial partners in our Emerging Markets and Americas regions.

MANAGEMENT APPROACH FOR ETHICS AND COMPLIANCE

As outlined in our Code of Conduct, we are committed to doing business in the right way, including zero tolerance for any form of bribery or corruption. Because we serve customers across the globe, we need to operate in parts of the world that are highly ranked on Transparency International's Corruption Perceptions Index. To ensure that we are promoting our values and maintaining compliance with anti-corruption laws, such as the US Foreign Corrupt Practices Act and the UK Bribery Act of 2010, we have developed a robust anti-corruption program. Our policies mandate strict compliance with these anti-corruption laws, even if that conflicts with local custom or practices.

Our corporate policies are also reviewed by a policy administration committee comprised of representatives of the Legal, Finance and Human Resources departments. Senior leaders in our functional business units are responsible for reviewing, approving, and regularly updating applicable policies. Policies are developed and regularly amended to reflect current regulations.

The Ethics & Compliance team headed by the Chief Ethics & Compliance Officer (CECO) regularly reviews current regulations, data from the Xylem Integrity Line (our 24-hour confidential reporting portal) and our due diligence platform, and feedback received from our employees to understand trends, address gaps and develop enhancements to the program. The CECO provides updates on the Ethics & Compliance Program to the relevant committees of our Board of Directors at least annually and to the corporate and regional Ethics & Compliance Review Boards (ECRBs) at least quarterly. ECRBs composed of members of the Senior Leadership Team and regional senior leaders, as applicable with Internal Audit serving as an observing member.



Following are some examples of actions we take to ensure the continued efficacy of our Ethics & Compliance Program:

RISK ASSESSMENT	<ul style="list-style-type: none"> → Partner with Internal Audit to assess risk, plan and implement global compliance and anti-corruption audits and evolve the Program → Leverage the Enterprise Risk Management (ERM) Program to assess and evolve the Program
ANTI-CORRUPTION PROGRAM	<ul style="list-style-type: none"> → Administer a robust third party due diligence program based on the risks posed by particular third parties and proposed business interaction with Xylem → Based on the due diligence program, third parties are required to undergo various levels of anti-corruption due diligence, including, completing an anti-corruption questionnaire, remediation of any issues and certifying compliance with anti-corruption laws and ethical standards embedded in our Code of Conduct, as well as online training → Include robust anti-corruption terms and conditions in contracts with customers, suppliers and other business partners → Administer a Gifts, Hospitality, Travel and Charitable Contributions Policy; revised policy in 2020 based on a third party assessment
POLICIES, PROCEDURES AND CONTROLS	<ul style="list-style-type: none"> → Maintain robust policies that are globally communicated and translated into languages representative of our employee base, generally between 10 and 26 languages → Update these policies and related compliance procedures regularly in response to new regulations, audit results, our internal trend/gap analysis and periodic third party assessments and benchmarking
COMMUNICATION, TRAINING AND TONE	<ul style="list-style-type: none"> → Execute on corporate, regional and country-specific ethics and compliance communication and training plans → Leverage corporate and regional Ethics & Compliance Review Boards, comprised of senior leaders → CEO highlights “lessons learned” from internal and external compliance issues to our Extended Leadership Group (~450 top leaders and managers) during virtual communication sessions
MONITORING AND AUDITING	<ul style="list-style-type: none"> → Improvement initiatives implemented to regularly enhance the Program; in 2019, key initiatives included enhancements to our investigations processes, Anti-Corruption Program and processes and Harassment Prevention Program → Ethics & Compliance Review Boards receive Program updates at least quarterly → Audit Committee of the Board of Directors receives Program updates at least annually, with quarterly updates as needed, including compliance investigations and Xylem Integrity Line (our 24-hour confidential reporting portal) activity → Internal Audit performs regular anti-corruption audits
DATA AND ANALYTICS	<ul style="list-style-type: none"> → Analyze third party due diligence program trends → Analyze Xylem Integrity Line (our 24-hour confidential reporting portal) reporting trends → Review data from various inputs to determine, analyze and correlate trends (data sources include the third party due diligence system, Xylem Integrity Line, quarterly litigation report, results from various audits, including anti-corruption, trade compliance, environmental, health and safety, Sarbanes-Oxley and internal controls)
RESOLUTION AND ROOT CAUSE	<ul style="list-style-type: none"> → Develop and administer follow-up process to monitor implementation of recommended actions arising out of Xylem Integrity Line reports → Respond to compliance questions/consultations within 48 hours → Determine root cause for systemic issues; partner with business and functional leaders to put targeted improvements in place, such as additional procedures or training
REPORTING AND INVESTIGATIONS	<ul style="list-style-type: none"> → Maintain Xylem Integrity Line (our 24-hour confidential reporting portal) → Can report anonymously through various channels → Investigate all reports, using internal or external resources, as appropriate → Target completion of investigations within 45 days of receipt

Responsible Supply Chain



We hold our suppliers to the same high ethical standards as we do ourselves. For that reason, all suppliers are expected to adhere to our [Supplier Code of Conduct](#). In accordance with our procurement processes, all suppliers are required to be in alignment with our business standards, product quality, process capabilities and commitment to sustainability. Promoting sustainability is central to our approach to responsible sourcing. We continued to assist our suppliers in 2019 in incorporating more sustainable practices into their business operations.

The major categories for which we depend on suppliers are motors, castings, machining, fabrications, electronics and polymeric. These products are composed of metals, plastics and electronic components. They contain raw materials such as stainless steel, aluminum, iron ore and copper. Xylem Global Procurement (XGP) manages these commodities to ensure that these raw materials come from reputable and qualified sources.

As part of our responsible procurement strategy, Xylem works with local suppliers (i.e. supplier origin is in the same country as the buying entity) whenever possible. Local suppliers help optimize material flow and reduce costs, without losing the benefits of scale. Our local spend is 68 percent of our total supplier spend.

XGP led and supported various initiatives in 2019 to localize sourcing and manufacturing, including localizing production of the Godwin GWP dewatering pump in Vadodara, India, localizing the e-XC double-suction pump in Nanjing, China, and localizing Flygt mixer blades and Wedeco Ozone equipment in Shenyang, China. We achieved more than \$1.5 million in savings through more than 30 localization projects while improving our overall service to customers.

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.

Beyond our localization efforts, the following sourcing programs – all implemented or expanded in 2019 – are helping reduce Xylem’s environmental impact:

- ENGIE Insight’s expense and data management services that we use include auditing utility bills, resolving billing errors, addressing energy consumption anomalies, reducing the risk of service interruptions and weekly consolidations of utilities billing. In 2019, 40 additional Xylem service branches were added to this program.
- ENGIE Insight’s Energy Supply Management services support us in our goal of attaining 100 percent green/renewable energy use at each of our major facilities by 2025. Xylem Commodity Management and Engie work together to ensure that renewable energy certificates or credits are purchased during the contracting process for all major facilities. We periodically review contract coverage and sustainability requirements for compliance and inclusion within all bids by energy providers. For more information on our management through Engie, see our [2019 CDP Climate Change submission](#).
- Our Integrated Facilities Management program employs proven methodologies for both internal and outsourced facilities management while consolidating our facilities management supplier base and improving service quality and maintenance programs.

With full-time employees dedicated to driving continuous improvement in cost and waste reduction, we are realizing the benefits of integrating sustainability into the overall value stream. Sustainability is a consideration that improves our ability to develop long-term partnerships, align our customer demands and business growth, meet material flow requirements, reduce supply chain costs and meet Xylem quality standards. To identify inefficiencies in production processes, we hold Value Stream Mapping events, which are focused on identifying opportunities for continuous process improvement. Depending on the topic, these workshops take between one to five days to complete and result in team members identifying items that require a small amount of time to implement but help new, more efficient processes take hold within the organization. Process, cycle times, nesting, scrap and overhead are key points we look at when defining opportunities to improve our suppliers' performance.

In 2019, more than 200 suppliers were audited through the Supplier Quality Assessment program, which included sustainability elements. In 2020, we will launch an enhanced and separate Supplier Sustainability Assessment program as part of our preferred supplier program working toward our 2025 goals. The assessment program aims to monitor the social and environmental performance in our supply chain and will focus specifically on the following elements:



**ENVIRONMENTAL
IMPACTS**



**HEALTH AND
SAFETY PRACTICES**



**HUMAN RIGHTS
AND LABOR RIGHTS**



**SOCIAL
RESPONSIBILITY**

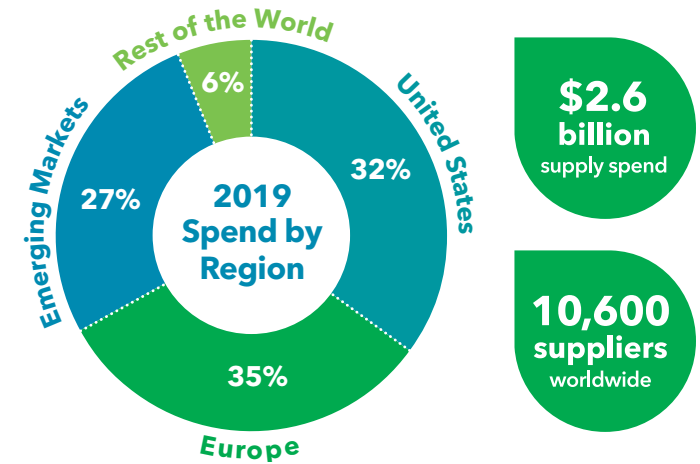


**RISK
MANAGEMENT**



**CONFLICT
MINERALS**

In 2020, we will continue auditing sustainability during supplier quality audits and conduct more in-depth audits of suppliers' sustainability programs using the Sustainability Assessment program.



MANAGEMENT APPROACH FOR RESPONSIBLE SUPPLY CHAIN

Xylem's SVP, Chief Supply Chain Officer and the legal department are responsible for overseeing responsible procurement. 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 our Supplier Code of Conduct. In turn, we expect suppliers to hold their own suppliers to these same standards. Our Supplier Code of Conduct covers expectations of suppliers across various areas of ethics and integrity, and social and environmental responsibility and can be viewed on [our website](#).

We make it clear to our suppliers that Xylem holds itself to the highest standards of integrity. We encourage our suppliers to feel comfortable speaking up when they believe we are not living up to these standards. The Xylem Integrity Line is a tool for such communication. We continually challenge our suppliers to provide continuous improvement suggestions/programs to improve safety, efficiency, carbon footprint, waste and cost, to assist us in any way in regard to our stated goal of solving water.

In the next 5 years, we will assess our responsible supply chain management by tracking against our 2025 goals.

In 2019, Xylem:

- Provided a sustainability workshop for supply chain auditors in the Asia Pacific region. Topics included human rights, modern slavery, working conditions, and environmental, health and safety
- Requested the first round of suppliers to sign the World Business Council for sustainable development WASH at the Workplace Pledge
- Contracted with EcoVadis to manage our Supplier Sustainability Assessment Program across 21 indicators in four themes: environment, labor and human rights, ethics and sustainable procurement. The first campaign was launched in 2020.



CONFLICT MINERALS PROGRAM

As a manufacturer of heavy industrial goods, we use tin, tungsten, tantalum and gold (3TG) 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 five years to comply with US SEC requirements regarding the sourcing of these materials. Our SVP, Chief Supply Chain Officer oversees the [Conflict Minerals Program](#). In 2019, we continued utilizing a third-party service provider to assist us in reviewing our supply chain. We surveyed 4,548 in-scope suppliers and received a 55 percent response rate.

Culture and Talent

Our more than 16,000 employees around the globe are united in a shared purpose: to solve water. Fostering workforce diversity and an inclusive culture provides a strategic advantage by bringing together unique skills, backgrounds and perspectives.

XYLEM EMPLOYEES (by Contract Type, by Region)	TOTAL END OF YEAR HEADCOUNT (as of December 31, 2019)
ALL EMPLOYEES	
Americas	6,520
Europe	7,250
Emerging Markets	2,691
Total	16,461
TEMPORARY, FIXED-TERM, OR INTERN	
Americas	24
Europe	280
Emerging Markets	522
Total	826
EMPLOYEES WITHOUT TIME-LIMITED CONTRACTS	
Americas	6,496
Europe	6,970
Emerging Markets	2,169
Total	15,635

XYLEM EMPLOYEES (by Contract Type, by Gender)	TOTAL END OF YEAR HEADCOUNT (as of December 31, 2019)
ALL EMPLOYEES	
Male	12,445
Female	4,016
TEMPORARY, FIXED-TERM, OR INTERN	
Male	603
Female	223
EMPLOYEES WITHOUT TIME-LIMITED CONTRACTS	
Male	11,842
Female	3,793
XYLEM EMPLOYEES (by Employment Type, by Gender)	TOTAL END OF YEAR HEADCOUNT* (as of December 31, 2019)
FULL-TIME	
Male	11,974
Female	3,605
PART-TIME	
Male	240
Female	346

*536 employees did not self-identify their gender

TALENT ATTRACTION AND RETENTION



Cultivating leadership and cultivating quality talent are strategic priorities at Xylem. To advance the capabilities of our people, we offer a wide variety of experiences to support our employees professional growth and continuous learning. Talent development at Xylem is grounded in our Connect.Perform.Grow. (CPG) performance management approach. CPG creates an opportunity for our people managers and their direct reports to engage in regular and on-going dialogue throughout the year.

We are committed to attracting and retaining the best talent through various ongoing initiatives.

ENTRY-LEVEL TALENT RECRUITMENT PROGRAMS

We continue to build on our university relationships across the US through targeted recruitment, career fairs, technical talks and other partnership activities that include Watermark events. In 2019 we hired more than 80 summer interns (up from 50 in 2018) to work at several US facilities across all functions. We will continue to grow our university relationships moving forward, including finding ways to expand our Xylem Watermark activities on campus, and programs geared towards developing relationships with key universities in our European and Emerging Market regions.

University graduates are eager to work for companies that have a strong sense of purpose and mission, and Xylem’s ‘Let’s Solve Water’ ambition continues to be a powerful attraction for students. We are continuing to build a pipeline of purpose-driven early-in-career talent by engaging with university graduates early and often through the programs described in the chart on this page. For more information on these programs, visit our [website](#).

Each of our recruitment programs has been developed and implemented over time. Over the past seven years, through the end of December, 2019, we have hired over 140 employees into Xylem through these four programs and they continue to help us build our relationships with key universities and build our early-in-career talent pipeline.

In most cases, program graduates have been placed into full-time positions throughout the organization. We continue to receive feedback from both the program participants and the teams working with these individuals on the value that the new graduates bring, in looking at challenges with fresh eyes, and their passion and ability to hit the ground running.

ENTRY-LEVEL ROTATIONAL AND TRAINING PROGRAMS	FOCUS AREAS	NEW PARTICIPANTS IN 2019	PROGRAM GRADUATES IN 2019
Engineering Leadership Development Program (ELDP)	Technology and engineering	8	7
Operations Leadership Development Program (OLDP)	All facets of the supply chain	5	2
Finance Leadership Development Program (FLDP)	Finance-focused roles including audit, tax, investor relations, and financial planning and analysis	5	New in 2019
Customer Solutions Center (CSC)	Sales and customer support roles	10	8

DEVELOPMENT PROGRAMS FOR EARLY-IN-CAREER EMPLOYEES

We continued to identify high-potential employees to participate in our key development programs, which include trainings in global locations, group and/or individual projects, access to senior mentors and an end-of-program presentation to senior leaders. Approximately 15 participants are selected for each of the following programs per year:

EARLY-IN-CAREER PROGRAMS	FOCUS AREAS	NEW PARTICIPANTS IN 2019	PROGRAM GRADUATES
Strategy Leadership Development Program (SLDP)	Developing leadership and strategy skills	15	65 since 2015
Innovation and Technology Leadership Development Program (ITLDP)	Developing leadership skills in engineering and technology	15	30 since 2017

In 2019, over 40 percent of our early-in-career program participants moved into new roles, took on expanded roles, moved across different operating units/geographies and/or were promoted.



MANAGER TRAINING

Developing our people manager talent is a key priority for Xylem and a critical enabler of our sustained success. One of the most powerful ways to ensure we excel at this is by investing in our people managers. Key skills we focus on in our people manager training include: building self-awareness, leading through change, coaching, providing clear performance goals and giving and receiving feedback. Our approach to manager development is to help people managers cultivate and strengthen their leadership capabilities and create and expand a network of peers from across the organization so they can learn from others and have resources to rely on when needed.

We offer two consecutive Manager as Coach® (MAC I and II) programs to bring real-life coaching opportunities to practice and ensure participants can carry these critical skills back to the job. We also offer a Manager as Change Leader (MACL) program focused on how to effectively manage emotional responses to change. More than 1,500 people managers have attended this program since 2014, and in some countries we are conducting ‘train the trainer’ sessions with volunteer managers to further scale the program.

In late 2018 through the end of 2019, we initiated a pilot program called Manager to Leader (M2L) designed to accelerate the development of leaders, which was successful and led us to the decision to run the next cohort in 2020. This program provides a hands-on experience of what it means to be a leader at Xylem. The M2L program has a cohort of 25 people managers from across the globe, who meet three times over the course of the program year, and also work on team projects that are related to Xylem’s commitment to providing social value.

The Xylem Learning Center (XLC) is Xylem’s learning management system. The XLC is used both to deliver on-line/e-learning content, and also to track all training hours including instructor led or externally provided training. The XLC also has the capabilities to allow our channel partners to access training related to our products and we continue to explore opportunities to expand those capabilities.



- An average of **11.9 hours** per employee
- **106,933 training hours** by employees with no direct reports. An average of **10.0 training hours** per employee with no direct reports
- **68,114 training hours** by managers with direct reports. An average of **23.7 training hours** per manager with direct reports
- **18,953 training hours** by non-wired employees. An average of **6.7 training hours** per non-wired employee





LEADERSHIP DEVELOPMENT

Our Executive Development Program (EDP) builds on Xylem’s goal to become a high-performing company with a common culture by developing enterprise leadership approaches and empowering leaders to take charge of the company’s transformation.

The EDP program includes a cohort of approximately 20 senior leaders from across the company. The program includes 3 residencies that are held on three different continents, professional coaching and strategic project work. The cohort is split into smaller subgroups called SPTs (Strategic Project Teams). These teams work on projects that are identified by our Senior Leadership Team, and the topics vary greatly. The outcomes of the projects are presented to the Senior Leadership Team at the end of the program, and approximately 75 percent of the projects to date have been adopted, with EDP alumni and Senior Leadership Team leading the integration. We initiated our sixth cohort in January 2019 with 18 participants.

We consistently re-evaluate our training and development program offerings to make sure that they are building capabilities that will make Xylem more competitive. There are many programs that are specific to the local business units that allow Xylem to deliver on its commitments. Local business units also pilot programs that provide future opportunities.

MANAGEMENT APPROACH FOR TRAINING AND EDUCATION

People development at Xylem is grounded in frameworks of integrated talent management and our “Connect. Perform. Grow.” (CPG) performance management approach. Training and development are overseen by our SVP, Chief Human Resources Officer and our VP, Leadership and Talent Development.

Our CPG process includes meaningful and ongoing conversations between managers and team members centered on performance feedback, coaching and career development. These are expected to occur on a regular basis and at least quarterly throughout the year. We validate that conversations are happening with a quarterly survey. In 2019, on average, 70 percent of our employees participated in the survey and close to 90 percent of respondents agreed that the quarterly conversations with their managers were meaningful. During our annual goal-setting process, we strive to ensure all individual goals are aligned with Xylem’s strategic priorities and imperatives.

In 2019 we enhanced our CPG process by beginning to use our new global human resources technology platform for approximately 10,000 employees globally. We also used the platform to complete the 2019 CPG performance review cycle and set 2020 goals. The platform provides a transparent and efficient way for managers and employees to update performance objectives and development goals as needed throughout the year. We will continue to deepen our understanding of the system and how it can support on-going dialogue between a manager and employee.

EMPLOYEE ENGAGEMENT

We continue our journey to build a cohesive 'One Company' culture across our family of brands, business units and facilities across the globe, all in service to our customers.

Engagement begins by listening to our employees. Ninety percent of employees participated in our second Global Employee Engagement and Culture Survey in 2019, a five percent increase from 2017. This illustrates our employees have many insights to share as well as a desire to have their voices heard. The feedback we receive through these surveys is vital to our continuous improvement as a company.

2019 survey results revealed three key strengths:

- **Doing what is right.** We continue to score highly on questions about our commitment to providing employees a safe and healthy work environment and operating our business in an ethical manner, also adding high scores on inclusion and diversity. Our most improved scores from 2017 relate to our employees' trust in our Xylem Integrity Line.
- **Building a culture of openness and continuous improvement.** Employees feel that we foster an open environment, where they are comfortable speaking up and taking reasonable risks. This kind of culture is essential to fostering innovation, a core driver of our sustained growth. They also recognize our continued success in driving a continuous improvement mindset, a quality aligned with our strategic priorities.
- **Positive work environment, with opportunities to contribute to company goals.** We continue to score highly on employee satisfaction with their jobs and work environments and understanding how they contribute to the company goals.

At the enterprise level, we have already prioritized specific focus areas for improvement, and our approach is guided by the following principles:

- Committing to focus on the highest-impact items that are affecting employees across the company
- Involving employees from across the organization in designing an action plan that is both robust and realistic
- Communicating regularly with employees on our approach and progress

As a direct result of the feedback received in the 2017 Global Employee Survey, we took several actions at the enterprise-level to improve our ability to act as one company and support career development and rewards. We invested in improving communication and collaboration with our "Xylem Now" online social collaboration platform, and introduced a global onboarding program to support the creation of a common culture. We also implemented several initiatives to improve our approach to career development and rewards, including strengthening our talent development programs, supporting greater job mobility across the company, providing more visibility into job opportunities, and improving differentiation in our incentives and bonus programs.

XYLEM NOW

'Xylem Now' is a social collaboration platform that allows employees to find and connect with each other across geographies, businesses and functions; share and discover information, news, ideas and experiences; innovate, brainstorm and solve challenges with their collective wisdom and expertise; and create community through a global communications platform that allows everyone to stay up to date in real time.

The platform has gained significant traction, with over **10,500 employees registered and nearly 75 percent of employees active every month**. Leaders from across the organization can use the platform to broadcast live video events, which include regular updates from our CEO, Patrick Decker and other members of the Senior Leadership team.

GLOBAL ON-BOARDING PROGRAM

In 2019 we implemented a global on-boarding process that is giving new hires an improved and consistent introduction to Xylem, and helping them feel part of one company. Key elements of the new process include a Xylem Welcome Lead to help incoming employees get acclimated; a "Welcome to Xylem" Intranet site with key materials outlining critical information on all aspects of Xylem's business, role-tailored compliance training and a plan that managers use to track new hires' performance progress over the year. Consistent with our continuous improvement mindset, monthly surveys are conducted with new hires to ensure their experience is positive and identify areas for improvement.

MANAGEMENT APPROACH FOR EMPLOYMENT

Xylem takes a total rewards approach to attracting, motivating and retaining talented employees worldwide. This approach integrates programs for compensation, benefits, recognition and work-life balance. Our SVP, Chief Human Resources Officer manages enterprise-wide compensation and benefits with a team of internationally-based compensation and benefit professionals. Local Human Resource business partners, along with their local business leaders, oversee local recognition and programs that promote work-life balance. While individual program components may differ by country, role or level, our culture and commitment to results remain constant. Our Board's Leadership Development and Compensation Committee provides oversight of employment at Xylem.

Xylem plans on conducting an employee engagement survey on a regular 18-24 month cycle. We expect that managers and their teams will use the survey results to develop local action plans that they can implement on their own in addition to an action plan at the enterprise level. The Senior Leadership Team owns the enterprise-level actions and will work closely with the employees who will drive implementation.

MANAGEMENT APPROACH FOR LABOR / MANAGEMENT RELATIONS



Xylem respects the legal rights of its employees to join or to refrain from joining worker organizations, including labor organizations, works councils or trade unions. Xylem complies with applicable local laws worldwide regarding employee and third-party involvement, and will not discriminate based on an employee's decision to join or not join a labor organization. Xylem respects the rights of employees to organize, and makes managers at all levels aware of those rights.

The Company's long-standing belief is that the interests of Xylem and its employees are best served through a favorable, collaborative work environment with direct communication between employees and management. Xylem endeavors to establish such favorable employment conditions to promote positive relationships between employees and managers, to facilitate employee communications, and to support employee development.

Xylem's labor/management relations policies are ultimately managed by our SVP, Chief Human Resources Officer.

Health and Safety



Our health and safety programs help our employees enjoy a better quality of life while contributing to Xylem’s success. We aspire to a zero-incident workplace from which our employees return home healthy at the end of each day. We accomplish this through our investment in and focus on risk reduction initiatives.

In 2019, we achieved an injury frequency rate of 0.67 – a 56 percent reduction from 2014 as the baseline year. To advance our original goal of 0.50, we continue to focus on risk reduction programs, both in our production facilities as well as in our sales and service operations. Our injury severity rate of 9.4 decreased 59 percent from our rate of 22.8 in 2014.

Total Hours Worked	32,028,278
Days Away From Work Case Rate	0.34
Injury Frequency Rate	0.67
Fatality Rate	0

*Based on 200,000 hours worked

We apply the US OSHA calculation standard to derive our injury frequency rate, but record our injuries in the countries in which we operate based on the applicable local laws and regulations.

MANAGEMENT APPROACH FOR OCCUPATIONAL HEALTH AND SAFETY

The Xylem Environmental, Health and Safety (EHS) policy and management system sets expectations to provide a safe work environment - not only for Xylem employees but also for visitors entering our facilities including contractors and customers. Our ultimate goal is to maintain a safe work environment and culture through focus on and continued investment in our safety programs and risk reduction initiatives.

Performance is measured in several ways including with key performance indicators from our Risk Reduction Index (RRI) as well as injury frequency rate and days away from work case rate. The RRI has been deployed to measure performance from leading indicators such as management inspections, timely closure of regulatory items, completion of toolbox talks, and hazard and near miss reporting. The RRI score is site-specific and aggregated at the business level.

Xylem has implemented a robust audit program in which manufacturing facilities and sales & service operations are reviewed and scored based on findings. Our EHS team works closely and collaboratively with management to close out audit findings and use the audit results to improve our EHS performance.

EHS performance is reviewed on at least a monthly basis with various levels of management. We use these reviews to identify issues and appropriate corrective action plans, drive management engagement and communicate the importance of safety to our business performance.

Our VP, Environment, Health, Safety and Sustainability provides a report to the Nominating & Governance Committee at least once per year. The report includes key EHS performance indicators and initiatives from the past year, including audit results, as well as our plans for the following year.

CEO SAFETY EXCELLENCE AWARD WINNERS

In 2019, we announced the winners of the 2018 Safety Excellence Awards. 27 facilities submitted applications, which were judged by a panel of senior leaders. The scoring was so close in the manufacturing category that our judges decided to recognize two facilities. The winners were:

- **2018 CEO Safety Excellence Award - Manufacturing: Strzelin, Poland**
This facility employs more than 300 employees and manufactures and assembles Lowara pumps and pump-related products associated with our Applied Water Systems business. While the facility has more than doubled in size over the past few years, they have maintained their focus on safety and are at the forefront of implementing new and fresh ideas to keep everyone engaged while continuing to reduce risk through programs like the “Buddy” Program, which pairs seasoned employees as coaches and mentors with new employees to imbed safety throughout the onboarding process. Many of their safety programs have been shared as best practices on our internal social media platform, Xylem Now.
- **2018 CEO Safety Excellence Award - Manufacturing: Vadodara, India**
This facility employs more than 350 employees and manufactures and tests AWS pumps and Flygt A-C custom pumps. Vadodara stands out for its proactive safety activities such as Safety Kaizens. During these events, Xylem employees implement Six Sigma and continuous improvement principles to identify hazards and implement sustainable corrective actions. They have also established an EHS Communication Zone, where employees and visitors have access to EHS related information and videos.

- **2018 CEO Safety Excellence Award - Sales/Service: Querétaro, Mexico**
This site employs 50 employees who assemble Gould and Bell & Gossett pumps and service Flygt, Godwin, Goulds, Lowara and Bell & Gossett pumps. The team has achieved a high-level of risk identification and reduction at their service site as well as during customer site work. This, along with the deep engagement by employees of all levels in promoting safety, has assisted the team in achieving the highest level of safety recognition by the Mexican government.

CEO Safety Award Honorable Mentions: We also acknowledged the Analytics business unit, which worked the entire year without a single recordable injury; our facility in Emmaboda, Sweden, which continues to engage employees and improve its safety culture in a highly complex manufacturing setting; and the UK and Ireland European Commercial Team organization, which has taken numerous steps to reduce employee risk while on customer locations.

Zero Incident Award: This award recognizes all Xylem facilities that operated throughout 2018 with zero injuries and no serious near misses, as assessed by the EHS Leadership Team. 227 facilities achieved this milestone and are receiving this award, an increase of 19 facilities over 2017.

Most Improved Performance Award: This award recognizes all Xylem facilities that improved their record of safety performance by 50 percent or more in 2018, as measured by their injury frequency. 50 facilities around the world are receiving this award, an increase of 10 facilities over 2017.

[Click here](#) to view a full list of award winners.

Diversity and Inclusion

The best solutions to water and smart infrastructure challenges come from diverse voices. To facilitate diversity, we must first cultivate an inclusive culture, where all talent feels that they have a seat at the table. Xylem aims to provide equal opportunity to our employees to help us in our pursuit to make water and other critical natural energy resources more accessible, affordable and safer for people and communities around the world.

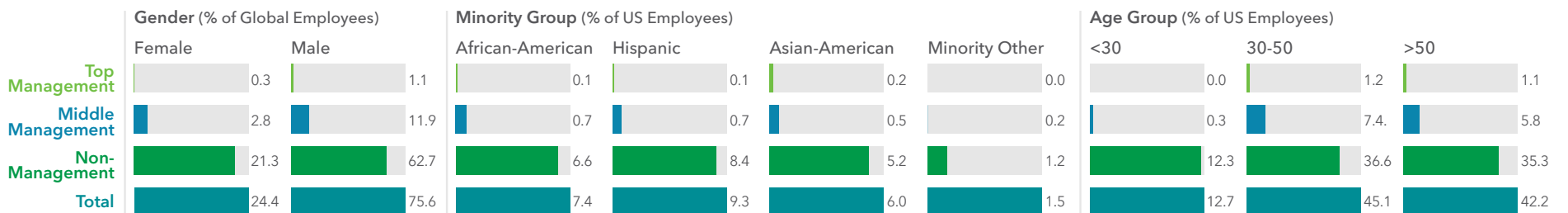
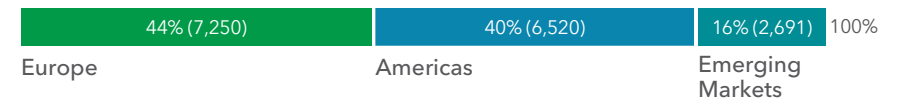
Xylem's eight leadership behaviors define what our leaders need to display to earn the trust of their teams every day. This includes serving as a role model for embracing diversity and inclusion. Recognizing the strength that a diverse and inclusive team brings, we also encourage our leaders to solicit different perspectives and seek advice from new and diverse sources.



OUR 2025 DIVERSITY AND INCLUSION GOALS

- Achieve **50% gender parity** in leadership roles
- Achieve **25% US minority representation** in leadership roles
- Increase **US diverse supplier spend to 12%** by 2025

Xylem Employees by Geographical Area
 (Total End of Year Headcount as of December 31, 2019)



BOARD REPRESENTATION

Our Board is committed to seeking highly qualified women and individuals from minority groups to include in our pool of candidates from which Board nominees are selected as part of each Board search. While this has been our practice for a number of years, our Board amended our Corporate Governance Principles in December to highlight this for our investors and other stakeholders. At the end of the reporting period, December 31, 2019, Xylem's Board of Directors was 18 percent female and the average age on the Board of Directors was 64.

XYLEM EMPLOYEE NETWORKS

Our Employee Network Groups provide supportive communities where employees exchange ideas, gain valuable skills and share resources. These internal, self-governed groups connect employees, enhance professional development, enrich company culture and support business strategies in the areas of recruitment, retention, community involvement and customer relationships. Collectively, more than 2,500 employees actively participate as members of our four networks:



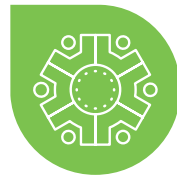
WOMEN'S NETWORK



EMERGING LEADERS NETWORK



VETERANS NETWORK



LGBT+ & ALLIES NETWORK



MANAGEMENT APPROACH TO DIVERSITY AND EQUAL OPPORTUNITY

Diversity in all its forms allows us to compete more effectively around the world and drive exceptional customer satisfaction, innovation and company performance. To optimize our culture and advance our diversity and inclusion goals, we have a dedicated global diversity and inclusion leader who works closely with our VP, Leadership and Talent Development and our SVP, Chief Human Resources Officer as well as our two Senior Leadership Team champions for diversity and inclusion: our SVP, Chief Marketing Officer and our SVP, General Counsel and Chief Sustainability Officer.

Members of our Senior Leadership Team champion diversity and inclusion for Xylem - supporting, advocating for, and driving and inspiring progress on our diversity and inclusion efforts. For example, our SVP, Chief Information Officer champions the Xylem Veterans Network, our SVP & President, Measurement & Control Solutions and SVP, General Counsel and Chief Sustainability Officer co-champion our Women's Network and our Vice President - General Manager, New Platforms champions our LGBT+ and Allies Network.

Formed in 2018, Xylem's Global Diversity and Inclusion Council exists to raise awareness, promote the benefits of inclusion and diversity, support implementation of practices, establish metrics, and monitor and engage with senior leadership on progress. With the support of our executive sponsors, this global 10-member council meets monthly to collaborate, plan and advance diversity and inclusion at Xylem.

In 2019, our Employee Engagement Survey included seven questions to measure our culture of inclusion. The results exceeded our 2017 score, indicating we are evolving our inclusive workplace, where everyone feels involved, respected, valued and connected, and where everyone is free to bring their authentic selves and ideas.

The Leadership Development and Compensation Committee of the Board reviews our diversity and inclusion program at least annually to understand strategy and progress. Furthermore, we intentionally align our harassment prevention program (described in "How We Think About Sustainability" page 61) with our diversity and inclusion program to ensure consistent messaging and approach for how we address harassment and discrimination.

Ensuring diversity and inclusion and preventing discrimination are addressed by the [Xylem Code of Conduct](#). For our employees, [Xylem's Values](#) demonstrate our respect for diversity of people and opinions and provide guidance on how to behave as industry leaders and ethical corporate citizens. Our [Supplier Code of Conduct](#) outlines our expectations for suppliers to consider diversity and inclusive practices with respect to their employees as well as in the selection decisions for their own suppliers and subcontractors.

CHAPTER 7

Empowering Communities

Xylem is committed to promoting the health and wellness of communities through WASH education and access to safe water to those in need, and through mobilizing the passion of our people and partners to make a difference.



Living the Mission

As a leading global water technology company, we are committed to creating economic and social value by integrating our commercial expertise with our approach to corporate social responsibility, Xylem Watermark. Watermark was founded eleven years ago as part of our commitment to solve the world's most challenging water issues. The program is integral to realizing Xylem's vision: to help create a world where water issues are no longer a barrier to human health, prosperity and sustainable development. Xylem Watermark's mission is to provide education and access to safe water to enable healthy lives, gender equality and resilient communities.

In pursuit of this mission, we work with nonprofit partners on sustainable development projects that provide education and protect safe water resources for communities around the world. We encourage employees and stakeholders to take action to address global water challenges by volunteering their time, providing pro-bono skilled expertise, donating in-kind technology and product, and making corporate matched monetary donations. Xylem Watermark also innovates with nonprofits and stakeholders to provide programmatic community interventions with a focus on water and sanitation education and access.



Community Impact



A NEW LEVEL OF ENGAGEMENT

We expanded our Xylem Watermark strategy in 2019 in four distinct ways: (1) launching a global humanitarian disaster response initiative; (2) engaging our stakeholders, such as customers, supply chain partners and distribution partners in community initiatives; (3) implementing solutions to serve people living at the base of the global economic pyramid; and (4) expanding employee engagement opportunities. These strategies contributed to progress toward our 2025 sustainability goals and direct and indirect economic and social impact.

NONPROFIT ENGAGEMENT

Through signature projects with nonprofit organizations, Xylem Watermark delivers clean water and sanitation solutions to underserved individuals, educates communities about WASH and the value of water, and promotes youth development. *Nonprofit Engagement channels included:*

- Collaborating with nonprofit partner Planet Water Foundation to initiate our first large-scale project in Mexico, where, in collaboration with supply chain partner Flex and the Flex Foundation, volunteers from both companies built 10 AquaTowers at schools in Aguascalientes, Mexico
- Supporting youth development by sponsoring the [EarthEcho Water Challenge](#) Ambassador program, the Manchester City Young Leaders program, and the annual [Stockholm Junior Water Prize](#), awarded each year at Stockholm International Water Institute's [World Water Week](#)

EMPLOYEE ENGAGEMENT

In 2019, more than 9,200 employees logged over 70,000 volunteer hours, helping us to achieve over 180,000 volunteer hours within 4 years. Employees volunteered in more than 52 countries and participated in over 950 events by working with local nonprofit organizations committed to water-related issues in their communities. *Employee Engagement activities included:*

- Four global annual signature events: the Make Your Mark 30 Day Challenge, a global ["Plogging"](#) initiative, a Disaster Response & Preparedness Campaign, and a global Month of Service in October"
- Participating in educational initiatives such as the EarthEcho Water Challenge, and events such as the Sandhurst Military academy's STEM careers fair
- Providing in-kind product donations and pro-bono expertise to expand water access to schools, families and communities all over the world

STAKEHOLDER ENGAGEMENT

Over 3,500 external stakeholders engaged in Xylem Watermark programming in more than 57 events around the world. Stakeholder Engagement channels included:

- Assembling and donating water education kits to local schools in Manchester, UK at the 2019 Supplier Conference in partnership with the Manchester City Football Club's Foundation
- Engaging at tradeshows and conferences such as the Water Environment Federation's Technical Exhibition and Conference (WEFTEC), where booth attendees made a written commitment to solving water that activated a \$10 donation to a Xylem nonprofit partner of their choice
- Cleaning a local beach and raising community awareness about marine debris with 60 customers and university students in Shanghai, China
- Encouraging 960 attendees at a Xylem-sponsored user conference ([Sensus Reach conference](#)) to build hygiene kits for people in need; 40 of these attendees subsequently partnered with Xylem volunteers to clean a local beach
- Teaming up with Xylem volunteers to provide in-kind equipment and pro-bono expertise to deliver clean water to communities from Texas, US, to Chengdu, China

MANAGEMENT APPROACH FOR COMMUNITY IMPACT / WATER INFRASTRUCTURE, RELIABILITY AND EFFICIENCY



Xylem works with nonprofit partners on sustainable development projects that provide and protect safe water resources for communities in need around the world, and engages employees and other stakeholders to volunteer their time and donate funds to support water-related solutions in communities around the world. These activities can create indirect economic impacts. Employee volunteer events, stakeholder donations and grants are managed through the [MyWatermark](#) website. Xylem's Watermark program is managed by our SVP, Chief Marketing Officer, who is ultimately responsible for Watermark's policies.

Our smart technology products and software-enabled solutions create an intelligent approach to some of the world's most severe water and infrastructure challenges, helping to empower our customers to better manage these issues while increasing their revenue, lowering costs and optimizing productivity. This provides customers with greater opportunity and flexibility to create positive economic impact in their communities. Our product applications are managed by our SVP, Chief Innovation, Technology, and Product Management Officer, who is ultimately responsible.

We help commercial and residential building and industrial customers manage their water supply and optimize productivity of their water inputs. Within commercial buildings, our products support clean water pressure; the water cycle management of heating, venting and air conditioning systems; fire suppression; and wastewater management.

Disaster Response

Through the deployment of in-kind equipment and expertise, collaborations with nonprofit partners, employee engagement initiatives and corporate matching campaigns, Xylem Watermark supported disaster response and recovery efforts in 11 communities in 2019. Disaster response activities included:

- Responding to multiple water-related disasters through our new [Global Humanitarian Disaster Response Team](#) to provide in-kind equipment and expertise, including in response to flooding in Karnataka, India, and damage from Cyclone Idai in Zimbabwe and Hurricane Dorian in the Bahamas
- Funding the rehabilitation of latrines and water delivery systems with our non-profit partner Mercy Corps following severe flooding in [Cox's Bazaar Refugee Camp in Bangladesh](#)
- Building disaster preparedness kits and assembling and donating disaster kits for emergencies such as Hurricane Dorian in the Bahamas
- Creating a global humanitarian logistics partnership with DHL Global Forwarding, to provide critical aid shipments and logistics support in disasters



XYLEM SUSTAINABILITY 2025 SIGNATURE GOALS: WATERMARK METRICS

COMMUNITIES	
GOAL	PROGRESS
Deploy humanitarian aid to 200 areas affected by water-related natural disasters.	Provided humanitarian aid to 11 affected areas.
Provide 15 million people with water education to improve quality of life and raise awareness.	Educated 320,000 people about WASH (Water, Sanitation and Hygiene) and the value of water.
Provide access to clean water and sanitation solutions for at least 20 million people living at the base of the global economic pyramid.	Provided water and sanitation solutions to 640,000 people.

EMPLOYEE ENGAGEMENT	
GOAL	PROGRESS
Give 1 percent Xylem employees' time and 1 percent company profits to water-related causes and education	<p>Employees volunteered over 70,000+ hours in 2019 to water and non-water related causes.</p> <p>Over 500 employees volunteered 1 percent of their time or more in 2019 (20+ hours) and 58 percent of employees (9,200 total) participated in volunteer activities in 2019</p>

STAKEHOLDER ENGAGEMENT	
GOAL	PROGRESS
Engage 100,000 stakeholders in volunteer events	3,500 stakeholders participated in 57 events in 2019.



Strategic Partnerships



Our customers and partners are direct agents of change, working tirelessly to tackle the water and smart infrastructure challenges facing our communities. It's our privilege to serve them and work beside them to solve water.

Two of our company's top five strategic priorities involve growth through partnerships: *grow in emerging markets* and *strengthen innovation and technology*.

STRENGTHENING INNOVATION AND TECHNOLOGY THROUGH PARTNERSHIPS

In 2019, we continued to expand our innovation ecosystem with several strategic partnerships. We are focused on building an external innovation ecosystem as one of the core drivers of our innovation strategy.

We participate in a variety of industry and startup research partnerships, including:

- Supporting cleantech startup incubators, including [Research Triangle Cleantech Cluster](#) and [Greentown Labs](#)
- Sponsoring the "[Brave Blue World](#)" film through our partnership with BlueTech Research, an independent water research firm
- Continuing as a core sustaining sponsor of [Imagine H2O Incubator](#), whose portfolio companies provide a diverse range of solutions to advance SDG 6, ensuring the availability and sustainable management of water and sanitation for all. Since 2009, Imagine H2O's water innovation accelerator programs have supported over 100 startups with the resources to validate and scale their solutions globally.

Xylem's Base of Pyramid Solutions Team, launched in 2019, is also co-developing technologies specifically for emerging markets to improve water, sanitation and hygiene through commercial partnerships with universities, NGOs, and public partners.

RESEARCH ENGAGEMENTS

- Aalto University
- Arizona State University
- Massachusetts Institute of Technology
- National Research Council of Canada
- Ryerson University
- Sinclair College
- Stanford University
- University of British Columbia
- University of Iowa
- University of Michigan
- University of Quebec

We engage in several key partnerships that connect leaders across the water industry and promote corporate sustainability, including:

- **Stockholm International Water Institute (SIWI):** SIWI leverages its knowledge and convening power to strengthen water governance for a just, prosperous and sustainable future. The organization focuses on a range of research and development topics within and around water that support decision-makers around the world. World Water Week (WWW) is today the world's leading annual water event, the Stockholm Water Prize (SWP) the most prestigious water award, and the Stockholm Junior Water Prize (SJWP) fosters future generations of water excellence. Xylem provides thought leadership and is a Founder of SWP, a Founding Global Sponsor of the SJWP and a WWW Partner.
- **Ceres Company Network:** Ceres works across a variety of sectors and with many of the largest companies in the Fortune 500. Members of the Ceres Company Network recognize the business benefits of integrating sustainability into core business strategies – demonstrating that sustainability is the bottom line.
- **International Water Association (IWA):** The IWA is a network of water professionals and knowledge hub for the water sector. Xylem currently has 32 employees selected as nominated reps at IWA. We are a major sponsor of IWA's World Water Congress and Exhibition.
- **Value of Water Coalition:** This coalition is organized by the Meridian Institute and consists of public and private water agencies, business and community leaders, and national organizations united in communicating the importance of water to the economic, environmental and social well-being of America.

WATERMARK PARTNERSHIPS

Watermark partnerships consist of the global nonprofit partners listed below, as well as an additional 250 community partners that our employees and stakeholder supported locally through volunteerism and donations in 2019. Funding for global nonprofit partners is aligned for strategic and scalable sustainable impact.

- Mercy Corps
- Planet Water Foundation
- Engineers Without Borders
- Americares
- Unicef
- EarthEcho International
- Stockholm Junior Water Prize
- Manchester City's Foundation

MANAGEMENT APPROACH FOR STRATEGIC PARTNERSHIPS

Oversight for Strategic Partnership falls under several functional areas led by our President & CEO, our SVP, Chief Innovation, Technology and Product Management Officer, and our SVP, Chief Marketing Officer.

Xylem's Board of Directors is responsible for overseeing the strategy of the company and assessing the effectiveness of the company's partnership strategy and execution, including through its Innovation & Technology Committee. Academic and research partnerships are managed through the Advanced Technology & Innovation team, which regularly assesses new collaborative research opportunities relating to water. Social impact partnerships are managed through Xylem's Watermark team. The Xylem Watermark team selects global partners that are aligned for strategic and scalable sustainable impact.

CHAPTER 8

GRI Content Index

This report has been prepared in accordance with the GRI Standards: Core option. For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.



GENERAL STANDARD DISCLOSURES		INFORMATION / LOCATION IN REPORT																																							
GRI 101: Foundation 2016																																									
GRI 102: General Disclosures 2016																																									
ORGANIZATIONAL PROFILE																																									
102-1	Name of the organization	Xylem Inc.																																							
102-2	Activities, brands, products, and services	We are a leading global water technology provider helping our customers address their most challenging water and wastewater problems. We design, manufacture and service highly engineered products and solutions ranging across a wide variety of critical applications, primarily in the water sector, but also in electric and gas. Our broad portfolio of products, services and solutions addresses customer needs across the water cycle, from the delivery, measurement and use of drinking water to the collection, test and treatment of wastewater to the return of water to the environment. We have differentiated market positions in core application areas including transport, treatment, test, smart metering, smart infrastructure analytics, digital solutions, condition assessment and leak detection, building services and industrial processing.																																							
102-3	Location of the headquarters	1 International Drive Rye Brook, NY 10573, USA																																							
102-4	Location of operations	<p>Xylem Locations Worldwide See our website for a full list of Xylem locations worldwide.</p> <p>We have identified 22 locations as major facilities for the purpose of this report. We define major facilities as those facilities with manufacturing activities that:</p> <ul style="list-style-type: none"> → were in the top 10 contributors list for Xylem’s water, waste, GHGs in any of the last 3 years, or → are located in extremely high water stress risk areas. <table border="0"> <thead> <tr> <th style="text-align: left;">Americas</th> <th style="text-align: left;">Europe</th> <th style="text-align: left;">Emerging Markets</th> </tr> </thead> <tbody> <tr> <td>Auburn, NY</td> <td>Emmaboda, Sweden</td> <td>Calamba, Philippines</td> </tr> <tr> <td>Bridgeport, NJ</td> <td>Herford, Germany</td> <td>Dubai, United Arab Emirates</td> </tr> <tr> <td>Cheektowaga, NY</td> <td>Montecchio, Italy</td> <td>Nanjing, China</td> </tr> <tr> <td>Chihuahua, Mexico</td> <td>Quenington, United Kingdom</td> <td>Shenyang, China</td> </tr> <tr> <td>DuBois, PA</td> <td>Stara Tura, Slovakia</td> <td>Vadodara, India</td> </tr> <tr> <td>Lubbock, TX</td> <td></td> <td></td> </tr> <tr> <td>Morton Grove, IL</td> <td></td> <td></td> </tr> <tr> <td>Pewaukee, WI</td> <td></td> <td></td> </tr> <tr> <td>San Diego, CA</td> <td></td> <td></td> </tr> <tr> <td>Slaton, TX</td> <td></td> <td></td> </tr> <tr> <td>Texarkana, AR</td> <td></td> <td></td> </tr> <tr> <td>Uniontown, PA</td> <td></td> <td></td> </tr> </tbody> </table>	Americas	Europe	Emerging Markets	Auburn, NY	Emmaboda, Sweden	Calamba, Philippines	Bridgeport, NJ	Herford, Germany	Dubai, United Arab Emirates	Cheektowaga, NY	Montecchio, Italy	Nanjing, China	Chihuahua, Mexico	Quenington, United Kingdom	Shenyang, China	DuBois, PA	Stara Tura, Slovakia	Vadodara, India	Lubbock, TX			Morton Grove, IL			Pewaukee, WI			San Diego, CA			Slaton, TX			Texarkana, AR			Uniontown, PA		
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102-5	Ownership and legal form	Publicly traded company listed on the New York Stock Exchange
102-6	Markets served	<p>Revenue by End Market: Utilities: 50% Industrial: 35% Commercial Buildings: 10% Residential 5%</p> <p>Revenues by Geography: United States: 49% Europe: 26% Asia Pacific: 13% Other: 12%</p>
102-7	Scale of the organization	Revenue: \$5.25 billion Capital Expenditures: \$226 million Capitalization: Shareholders Equity: \$2,957 million Net Debt: \$1,592 million Net Debt to Capital: 35%
102-8	Information on employees and other workers	See Building a Sustainable Company, page 68 .
102-9	Supply chain	See Building a Sustainable Company, page 65 .
102-10	Significant changes to the organization and its supply chain	There were no major acquisitions or structural changes during the reporting period.
102-11	Precautionary Principle approach	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 aim to avoid actions and policies that we believe could cause harm to the health of people or the planet.

102-12	External initiatives	<p>Xylem voluntarily subscribes to or endorses the following economic, environmental and social charters, principles or initiatives:</p> <ul style="list-style-type: none"> → United Nations Global Compact → American Business Act on Climate Pledge → CDP: Climate Change / Water Security / Supply Chain → United Nations CEO Water Mandate → Human Rights Campaign Foundation's Global Business Coalition → World Business Council for Sustainable Development WASH at the Workplace → United Nations Care for Climate → United Nations Women's Empowerment Principles → We Are Still In Declaration
102-13	Membership of Associations	<p>Xylem holds positions in, participates with or provides funding beyond routine membership dues to the following industry associations and advocacy organizations:</p> <p>Water Advocacy, NGOs, Research and Academic Industry</p> <ul style="list-style-type: none"> American Water Works Association Australian Water Association Bipartisan Policy Center Executive Council on Infrastructure British Pump Manufacturers Association British Water National Fire Protection Association Europump Hydraulic Institute International Water Association MAPI Environment, Health & Safety Council National Association for Environmental Management Smart Cities Connect Society of Women Engineers Stockholm International Water Institute <p>Social, Governance and Ethics</p> <ul style="list-style-type: none"> US Water Alliance US Water Partnership Value of Water Coalition Water Environment Federation Water Systems Council MAPI Purchasing Council International Society of Sustainability Professionals WaterReuse Association Sump and Sewage Pump Manufacturer's Association National Association of Corporate Directors Society of Corporate Compliance and Ethics Society of Corporate Secretaries & Governance Professionals Business Roundtable, Corporate Governance Committee HRC Foundation

STRATEGY		
102-14	Statement from senior decision-maker	See Message from Patrick Decker, President & CEO and Message from Claudia Toussaint, SVP, General Counsel & Chief Sustainability Officer, pages 3-8 .
102-15	Key impacts, risks and opportunities	See Building a Sustainable Company, page 53 .
ETHICS AND INTEGRITY		
102-16	Values, principles, standards, and norms of behavior	See Building a Sustainable Company, page 61 .
102-17	Mechanisms for advice and concerns about ethics	To ensure compliance with our principles, we've adopted straightforward mechanisms for employees and other stakeholders to report their concerns and instances of observed misconduct. We provide multiple reporting tools so that concerned individuals can report in a way most comfortable for them. See page 62 for more detail.
GOVERNANCE		
102-18	Governance structure	See How We Think About Sustainability, page 19 .
102-19	Delegating authority	The Xylem Board of Directors has primary responsibility for oversight of risk and strategy 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 and corporate social responsibility programs to the Board's Nominating and Governance Committee. The Nominating and Governance Committee regularly receives updates on sustainability from management and provides updates to the full Board of Directors. There are many aspects of sustainability that are reviewed by the Board and its committees, including strategy and risk, diversity and inclusion, talent and leadership development, social value creation, ethics and compliance, cybersecurity and data privacy.
102-20	Executive-level responsibility for economic, environmental, and social topics	See How We Think About Sustainability, page 19 .
102-21	Consulting stakeholders on economic, environmental, and social topics	See How We Think About Sustainability, page 22 .

102-22	Composition of the highest governance body and its committees	<p>We are a global water technology company committed to developing innovative technology solutions to the world's water challenges. Our Board, through its Nominating and Governance Committee, regularly reviews the experience, skills and qualifications needed to properly oversee the interests of the Company and its shareholders, taking into account the Company's short- and long-term strategies and evolving global operations. The Nominating and Governance Committee then compares those attributes to those of the current directors and potential director candidates. The Nominating and Governance Committee conducts targeted efforts to identify and recruit individuals that have the experience, skills and qualifications identified through this process, keeping in mind our commitment to diversity. Directors and candidates should be persons of the highest personal and professional ethics, integrity and values, with significant accomplishments and recognized stature, and should bring a diversity of backgrounds and perspectives to the Board and a commitment to representing the long-term interests of the shareholders and other stakeholders. Our Board believes that the current directors have the appropriate mix of experience, skills, qualifications and attributes needed to lead the Company at the Board level. For more information, please see pages 7-13 of Xylem's 2020 Proxy Statement.</p>
102-23	Chair of the highest governance body	<p>Our Board is led by our independent Board Chair. In today's challenging economic and regulatory environment, directors are required to spend a substantial amount of time and energy successfully navigating a wide variety of issues and guiding the policies and practices of the companies they oversee. To that end, the Board currently believes that having a separate Chair, whose sole job is to lead the Board, allows our CEO to focus his time and energy on running the day-to-day operations of our Company. With Robert Friel succeeding Markos Tambakeras as independent Chair on May 13, 2020, we intend to maintain the separation of the Chair and CEO roles. The Board will consider the continued appropriateness of this structure as necessary to meet the best interests of the company and whether alternatives, such as an appropriately empowered lead independent director, would be preferable.</p>
102-24	Nominating and selecting the highest governance body	<p>Our Nominating and Governance Committee regularly reviews Board size and composition. The Committee is responsible for identifying and recommending qualified director candidates to the Board of Directors. In fulfilling this responsibility, the Nominating and Governance Committee seeks to identify candidates who possess the experience, skills, qualifications and attributes necessary to provide a broad range of personal characteristics to the Board, including diversity of thought and background, experience in technology and innovation, and global business experience.</p> <p>Our Board is committed to seeking highly qualified women and individuals from minority groups to include in our pool of candidates from which Board nominees are selected as part of each Board search. While this has been our practice for a number of years, our Board amended our Corporate Governance Principles in December to highlight this for our investors and other stakeholders.</p> <p>As part of its annual assessment, the Board of Directors assesses whether the mix of directors is appropriate given the company's evolving strategy. As part of its process in identifying new candidates to join the Board, the Nominating and Governance Committee considers whether and to what extent attributes and experiences will individually and collectively complement the existing Board, taking into consideration the impact on Board composition from upcoming director retirements, recognizing that Xylem's strategy, business and operations are evolving and are diverse and global in nature.</p>

102-24 (contd.)		<p>The Nominating and Governance Committee considers recommendations from many sources, including shareholders and third-party search firms, regarding possible director candidates. Shareholders wishing to propose a candidate for consideration may do so by submitting the proposed candidate’s full name and address, resume and biographical information to the attention of our Corporate Secretary at Xylem Inc., 1 International Drive, Rye Brook, New York 10573. The Nominating and Governance Committee and Board use the same criteria for evaluating candidates, regardless of the source of the referral.</p>
102-25	Conflicts of interest	<p>We have a written policy that governs the reporting, review and approval or ratification of transactions with related parties. The policy covers, but is not limited to, the related party transactions and relationships required to be disclosed under SEC rules. The policy supplements our Code of Conduct which addresses potential conflict of interest situations. Under our policy, directors and executive officers are required to promptly notify the Chair of the Nominating and Governance Committee and our Corporate Secretary of any actual or potential related person transactions so that the transaction can be reviewed and considered for approval or ratification by the Nominating and Governance Committee.</p> <p>In reviewing related party transactions, the Nominating and Governance Committee will consider the relevant facts and circumstances, including:</p> <ul style="list-style-type: none"> → whether terms or conditions of the transaction are generally similar to those available to third parties; → the level of interest or benefit to the related party; → the availability of alternative suppliers or customers; and → the benefit to the company. <p>Any Nominating and Governance Committee member who is a related party with respect to a transaction under review may not participate in the deliberations about the transaction or vote for its approval or ratification.</p> <p>The policy provides pre-approval for certain types of transactions that the Nominating and Governance Committee has determined do not pose a significant risk of conflict of interest, either because a related party would not have a material interest in a transaction of that type or due to the nature, size or degree of significance to the company.</p>
102-26	Role of highest governance body in setting purpose, values, and strategy	<p>See How We Think About Sustainability, page 18.</p>

102-27	Collective knowledge of highest governance body	<p>Our Board, through its Nominating and Governance Committee, regularly reviews the skills, experience and qualifications needed to properly oversee the interests of the company and its shareholders, taking into account the company's short and long-term strategies and global operations. The Nominating and Governance Committee then compares those attributes to those of the current directors and potential director candidates. The Nominating and Governance Committee conducts targeted efforts to identify and recruit individuals that have the experience, skills and qualifications identified through this process, keeping in mind our commitment to diversity. These individuals should be persons of the highest personal and professional ethics, integrity and values, with significant accomplishments and recognized stature, and should bring a diversity of backgrounds and perspectives to the Board and commitment to representing the long-term interests of the shareholders. Our Board believes that the directors have the appropriate mix of experience skills, qualifications and attributes needed to lead the company at the Board level. A discussion of each director's experience and skills is provided on pages 10-14 of our 2020 Proxy Statement.</p>
102-28	Evaluating the highest governance body's performance	<p>In the spirit of continuous improvement, each year our Nominating and Governance Committee initiates a comprehensive assessment of the effectiveness of the Board and each of our committees, as well as individual directors, using a self-assessment or third party advisor. The objective of the assessment is to identify and assess areas where the Board functions effectively, and importantly, areas where it can improve. The Board assessment solicits each director's opinion on a variety of topics, including Board and committee performance and effectiveness and the overall composition of the Board. In addition to a survey-style assessment, the Chair of the Nominating and Governance Committee holds one-on-one conversations with each Board member to solicit additional feedback, including with respect to individual directors. On a periodic basis (generally every three years), the Nominating and Governance Committee also engages an independent third-party advisor to meet with each Board member to assist with the qualitative assessment of the Board and its committees. The independent advisor presents the findings to the full Board and facilitates a robust discussion focusing on opportunities for improvement. The advisor also provides feedback to individual directors, as applicable. The most recent engagement of an independent third-party advisor was for the 2018 assessment.</p>
102-29	Identifying and managing economic, environmental, and social impacts	<p>See How We Think About Sustainability, page 20.</p>
102-30	Effectiveness of risk management processes	<p>See How We Think About Sustainability, page 21.</p>

102-31	Review of economic, environmental, and social topics	<p>Our Board values the input and insights of the Company’s shareholders and believes that effective Board-shareholder communication strengthens the Board’s role as an active, informed and engaged fiduciary. Accordingly, the Board seeks to maintain a framework for deep, frequent and productive conversations with the Company’s shareholders.</p> <p>In 2019, we reached out to shareholders representing more than 60 percent of our outstanding shares and engaged in direct dialogue with shareholders holding more than 30 percent of our outstanding shares.</p> <p>These engagement meetings were an opportunity to discuss key aspects of the Company’s governance profile, compensation philosophy and performance around sustainability and social value creation, among other things. These meetings also provided a forum for management to solicit feedback regarding the practices and policies that are important to our shareholders.</p>
102-32	Highest governance body’s role in sustainability reporting	<p>The Board, primarily through its Nominating and Governance Committee, provides oversight of our overall approach to sustainability and corporate social responsibility (Watermark), including our approach to sustainability reporting</p>
102-33	Communicating critical concerns	<p>The Board has established a process to facilitate communication between shareholders and other interested parties with the company’s independent directors. Communications intended for the Board, or for any individual member or members of the Board, should be sent by e-mail to independent.directors@xylem.com or directed to our Corporate Secretary at Xylem Inc., 1 International Drive, Rye Brook, New York 10573, with a request to forward the communication to the intended recipient or recipients. In general, any shareholder communication delivered to us for forwarding to the Board or specified Board members will be forwarded in accordance with the shareholder’s instructions. Mail addressed to “Non-Employee Directors” will be forwarded to our independent Board Chair.</p> <p>See More About the Xylem Integrity Line in How We Think About Sustainability, page 61.</p>
102-34	Nature and total number of critical concerns	<p>See response for GRI 102-21 in How We Think About Sustainability, page 22.</p>
102-35	Remuneration policies	<p>A comprehensive discussion of director and executive compensation can be found in our Proxy Statement for the year ended 2019 on pages 37-61.</p>

102-36	Process for determining remuneration	<p>Our non-employee director compensation program is designed to attract and retain experienced and knowledgeable directors and to provide equity-based compensation to align the interests of our directors with those of our shareholders. Each non-employee director is compensated in two ways: a cash retainer and an equity, stock-based retainer. The Board Chair and committee chairs also receive an incremental chair retainer fee. In 2017, our Board adopted a policy limiting the total annual compensation for non-employee directors to \$750,000. This limit is inclusive of the value of both the annual cash retainer(s) and the grant date fair value of the annual equity award. 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 2019, 87 percent of CEO compensation and an average of 75 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 awards granted at hire. 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. A comprehensive discussion of non-employee director compensation and executive compensation can be found in our Proxy Statement for the year ended 2019 on pages 37-39 and 40-61, respectively.</p>
102-37	Stakeholders’ involvement in remuneration	<p>Our Board values the input and insights of the company’s shareholders and believes that effective Board-shareholder communication strengthens the Board’s role as an active, informed and engaged fiduciary. We make a concerted effort to engage with shareholders throughout the year to solicit their input on a range of topics related to executive compensation and governance matters. In 2019, we reached out to shareholders representing more than 60 percent of our outstanding shares and engaged in direct dialogue with shareholders holding more than 30 percent of our outstanding shares; our Board Chair participated in a number of these conversations. Our top shareholders expressed strong support for our executive compensation programs, including our emphasis on equity incentives, the balance of performance metrics in our annual and long-term incentive plans, and the linkage for certain executives to sustainability performance as rated by Sustainalytics. Accordingly, no changes were made to the executive compensation program as a result of feedback from our shareholders.</p> <p>Our policy is to conduct an annual say-on-pay shareholder vote. In 2019, as in prior years, we received strong support in our say-on-pay advisory vote, with approximately 92 percent of the shares voting at the annual meeting supporting our executive compensation.</p>

102-37 (contd.)		<p>Our equity compensation programs are designed to attract and retain the most creative and talented industry leaders and high-potential talent and to align employee and shareholder interests. As such, participation in our equity compensation program is not limited to our non-employee directors and executive officers.</p> <p>An important barometer of Xylem’s continued commitment to sustainability, the individual component of the 2019 Annual Incentive Compensation for both our President & CEO and SVP, General Counsel, & Chief Sustainability Officer was tied to Xylem’s sustainability performance as rated by Sustainalytics.</p> <p>In 2019, Xylem expanded its equity programs, making additional non-executives eligible for long-term incentive plan awards after first opening these programs to non-executives in 2017. Xylem had previously expanded the eligible recipients of performance share units, which have payouts keyed to three-year Return on Invested Capital targets and relative Total Shareholder Return metrics, to greater align its senior executives and other strategic leaders with the company’s longer-term operational and market performance.</p>
102-38	Annual total compensation ratio	In 2019, the ratio between the annual total compensation of the Chief Executive Officer and the annual total compensation for the median employee was 166:1. For more information see our 2020 Proxy Statement, page 60.
102-39	Percentage increase in annual total compensation ratio	The ratio between the annual total compensation of the chief executive officer and the annual total compensation for the median employee was 168:1 in 2018 and 166:1 in 2019. For more information see our 2020 Proxy Statement, page 60.

STAKEHOLDER ENGAGEMENT

102-40	List of stakeholder groups	See How We Think About Sustainability, page 23 .
102-41	Collective bargaining agreements	As of December 31, 2019, Xylem had more than 16,000 employees worldwide. We have approximately 5,600 employees in the United States, of whom approximately 17 percent are represented by labor unions. Globally, we have 32 percent representation by unions, collective bargaining agreements or work councils.
102-42	Identifying and selecting stakeholders	See How We Think About Sustainability, page 22 .
102-43	Approach to stakeholder engagement	See How We Think About Sustainability, page 22 .
102-44	Key topics and concerns raised	See How We Think About Sustainability, page 23 .

REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	We consolidate companies in which we have a controlling financial interest or when Xylem is considered the primary beneficiary of a variable interest entity. We account for investments in companies over which we have the ability to exercise significant influence but do not hold a controlling financial interest under the equity method, and we record our proportionate share of income or losses in the Consolidated Income Statements.
102-46	Defining report content and topic boundaries	See How We Think About Sustainability, pages 15-16 .
102-47	List of material topics	See How We Think About Sustainability, pages 15-16 .
102-48	Restatements of information	There were no restatements of information during the reporting period.
102-49	Changes in reporting	See Xylem Inc. 10-K for the year ended December 31, 2019, Note 1 - Summary of Significant Accounting Policies, page 57.
102-50	Reporting period	January 1, 2019-December 31, 2019
102-51	Date of most recent report	June 2019
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	xylem.sustainability@xylem.com
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core Option.
102-55	GRI content index	This document is organized by GRI disclosures and pages 88-110 serve as our GRI Content Index.

102-56 External assurance

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 2019 environmental and safety data presented in the Xylem 2019 Sustainability Report (the Report) as set out below.

Engagement Summary	
Scope of our assurance engagement	<p>Whether the corporate 2019 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 Scope 2 (indirect) GHG emissions (metric tons of CO₂e) - market based • Total Scope 3 (business travel) GHG emissions (metric tons of CO₂) • Total water withdrawal (mega-liters) <p>Safety data:</p> <ul style="list-style-type: none"> • Total hazardous waste generated (metric tons) • Total non-hazardous waste generated (metric tons) • Total waste to landfill (metric tons) • % of waste to landfill (metric tons) • Injury Frequency Rate (Recordable cases x 200,000 / total hours worked) • Days Away From Work (DAFW) Rate (number of DAFW cases x 200,000 / total hours worked) • Injury Severity rate (number of Days Away From Work x 200,000 / total hours worked)
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 conclusion

Based on our activities, nothing has come to our attention to indicate that the Xylem 2019 data for the indicators, as listed 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;
- ERM CVS conducted 'virtual' site visits in manufacturing facilities at Texarkana (USA), Uniontown (USA) and Emmaboda (Sweden) to review the local reporting processes and check samples of underlying source data for each selected indicator;
- A desk-based review of the Morton Grove site (USA) including call with the EHS manager on key indicators (natural gas, water and electricity);
- Virtual interviews with responsible individuals at Xylem's Corporate Office to review the consolidation and reporting process including checking calculations, applied emission factors and the corporate data quality and assurance processes; and
- Reviewing the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings.

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.

Force Majeure – COVID-19

During our assurance engagement, travel restrictions were imposed following the outbreak of COVID-19. As a result of this we replaced the planned 'in person' head office visit with a 'virtual' visit via video calls for this year's assurance engagement.



Jennifer Iansen-Rogers
 Head of Corporate Assurance Services
 29 May 2020

ERM Certification and Verification Services, London
www.ermcvs.com; email: post@ermcvs.com



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 Xylem in any respect.

TOPIC-SPECIFIC DISCLOSURES		INFORMATION / LOCATION IN REPORT
INDIRECT ECONOMIC IMPACTS		
GRI 103: Management Approach 2016		
103-1, 103-2, 103-3	Management Approach	See Empowering Communities, page 84 .
GRI 203: Indirect Economic Impacts 2016		
203-2	Significant Indirect Economic Impacts	See Empowering Communities, page 81 .
PROCUREMENT PRACTICES		
GRI 103: Management Approach 2016		
103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 67 .
GRI 204: Procurement Practices 2016		
204-1	Proportion of spending on local suppliers	See Building a Sustainable Company, page 65 .
ANTI-CORRUPTION		
GRI 103: Management Approach 2016		
103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 63 .
GRI 205: Anti-Corruption 2016		
205-1	Operations assessed for risks related to corruption	See Building a Sustainable Company, page 62 .
205-2	Communication and training about anti-corruption policies and procedures	See Building a Sustainable Company, pages 61-62 .
205-3	Confirmed incidents of corruption and actions taken	A key success metric of our management of ethics and accountability is the number of incidents of corruption or anti-competitive behavior. No material incidents of such activity were confirmed in 2019.

ANTI-COMPETITIVE BEHAVIOR

GRI 103: Management Approach 2016

103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 63 .
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GRI 206: Anti-Competitive Behavior 2016

206-1	Legal Actions for Anti-Competitive Behavior, Anti-Trust, and Monopoly Practices	A key success metric of our management of ethics and accountability is the number of incidents of corruption or anti-competitive behavior. No material incidents of such activity were confirmed in 2019.
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MATERIALS

GRI 103: Management Approach 2016

103-1, 103-2, 103-3	Management Approach	See Serving Our Customers, page 44 .
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GRI 301: Materials 2016

301-3	Reclaimed Products and Their Packaging Materials	See Serving Our Customers, page 44 .
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ENERGY

GRI 103: Management Approach 2016

103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 60 .
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GRI 302: Energy 2016

302-1	Energy Consumption Within the Organization	See Building a Sustainable Company, page 57 .
302-3	Energy Intensity	See Building a Sustainable Company, page 57 .
302-4	Reduction of Energy Consumption	See Building a Sustainable Company, page 54 .
302-5	Reductions in Energy Requirements of Products and Services	See Building a Sustainable Company, page 55 .

WATER AND EFFLUENTS

GRI 103: Management Approach 2016

103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 60 .
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GRI 303: Water and Effluents 2018

303-4	Water Discharge	See Building a Sustainable Company, page 49 .
303-5	Water Consumption	See Building a Sustainable Company, page 49 .

EMISSIONS

GRI 103: Management Approach 2016

103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 60 .
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GRI 305: Emissions 2016

305-1	Direct (Scope 1) GHG Emissions	See Building a Sustainable Company, page 58 .
305-2	Energy Indirect (Scope 2) GHG Emissions	See Building a Sustainable Company, page 58 .
305-3	Other Indirect (Scope 3) GHG Emissions	See Building a Sustainable Company, page 59 .
305-4	GHG Emissions Intensity	See Building a Sustainable Company, page 59 .
305-5	Reduction of GHG Emissions	See Building a Sustainable Company, pages 54 and 58-59 .
305-6	Emissions of Ozone-Depleting Substances (ODS)	We do not use significant amounts of ozone-depleting substances, and for that reason 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.
305-7	Nitrogen Oxides (Nox), Sulfur Oxides (Sox), and Other Significant Air Emissions	See Building a Sustainable Company, page 59 .

EFFLUENTS AND WASTE		
GRI 103: Management Approach 2016		
103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 60 .
GRI 306: Effluents and Waste 2016		
306-2	Waste by Type and Disposal Method	See Building a Sustainable Company, page 50 .
306-3	Significant Spills	See Building a Sustainable Company, page 50 .
ENVIRONMENTAL COMPLIANCE		
GRI 103: Management Approach 2016		
103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 60 .
GRI 307: Environmental Compliance 2016		
307-1	Noncompliance with Environmental Laws and Regulations	<p>In 2019, Xylem had one drinking water and two wastewater exceedances.</p> <p>Bridgeport, New Jersey Drinking water samples were taken by the site and tested as required per the State of New Jersey. Results showed an exceedance in perfluorononanoic acid (PFNA) that had leached into the water system from the operations of three neighboring companies. Employees were notified and the exceedance level was posted. The site worked with the property owner to install a granulated activated carbon (GAC) treatment system to capture the PFNA in the drinking water. Sampling has been performed to ensure that the PFNA has been removed from the drinking water. No fines were issued. The matter is closed.</p> <p>Emmaboda, Sweden The amount of zinc in the sewage water sent to the Emmaboda wastewater treatment facility exceeded the permitted level of 0.2 mg/l. The facility had installed a closed loop system which reduced the flow of wastewater by 30,000 m3 per year. Consequently, the zinc in the wastewater became more concentrated. Since the site only measures the amount of metals in the wastewater in mg/liter, it looked like the site was sending more zinc to the wastewater treatment facility causing the site to exceed the regulatory limit value for zinc. The site is working with the local authorities to modify the zinc limit so that the site can continue to recycle water while not increasing the overall amount of zinc by weight sent to the wastewater treatment facility. No fines were issued.</p>

307-1 (contd.)	Noncompliance with Environmental Laws and Regulations (continued)	<p>Texarkana, Arkansas</p> <p>The site experienced a slug discharge event due to a tank overflow which caused the permitted pH limit to be exceeded. An estimated five gallons of citric acid solution was discharged into the clarifier. The discharge caused the facility's discharge pH to drop to 4.8 - below the permitted 5.5 to 10.5 range. After a neutralization process, the clarifier valve was opened and normal discharge was resumed. No fines were issued. The matter is closed.</p>
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SUPPLIER ENVIRONMENTAL ASSESSMENT

GRI 103: Management Approach 2016

103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 67 .
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GRI 308: Supplier Environmental Assessment 2016

308-1	New Suppliers That Were Screened Using Environmental Criteria	See Building a Sustainable Company, page 65 .
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EMPLOYMENT

GRI 103: Management Approach 2016

103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 74 .
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GRI 401: Employment 2016

401-2	Benefits Provided to Full-Time Employees That Are Not Provided to Temporary or Part-Time Employees	<p>US employees who work 30 or more hours per week are eligible for competitive benefits, including comprehensive health and wellness programs, telemedicine, disability and life insurances, paid time off, flexible work arrangements, employee assistance programs, adoption assistance and other offerings.</p> <p>Temporary or less-than-full-time employees are eligible for pro-rated paid time off and our retirement program after completing at least 1,000 hours of service in a calendar year. Outside of the US, the definition of full-time, temporary or part-time employees can vary, as well as the differentiated benefits, which may be provided in that given country.</p>
401-3	Parental Leave	Parental leave is typically determined based on local practices and regulations at locations around the world. In the US, Xylem implemented a paid Parental Leave Policy effective April 1, 2019 which applies to non-union benefits eligible US employees.

401-3 (contd.)	Parental Leave	<p>Birth mothers are eligible for four weeks of paid parental leave, beginning after paid medical leave, to be taken within the first six months of a newborn’s arrival. Fathers, other same-gender partners and new parents through adoption, surrogacy or fostering are also eligible for four weeks of paid parental leave that can be taken within the first six months of a leave-qualifying event.</p> <ul style="list-style-type: none"> → Total number of employees entitled to parental leave, by gender - There are a total of approximately 4,800 employees currently eligible for paid parental leave, This includes 1,060 females and 3,740 males. → Total # of employees that took parental leave, by gender - 39 Employees have taken paid parental leave. 33 of these employees are male and 6 are female. → Total number of employees that returned to work in reporting period after parental leave ended, by gender - Currently, 6 (4 male, 2 female) employees are still on leave. Of the 33 who have completed the leave, 32 are currently active at work and 1 (male) terminated without returning from the leave.
LABOR / MANAGEMENT RELATIONS		
GRI 103: Management Approach 2016		
103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 74 .
GRI 402: Labor/Management Relations 2016		
402-1	Minimum Notice Periods Regarding Operational Changes	<p>Exceptional circumstances, including operational change or other planned measures or activities based on unexpected developments and affecting the interests of the employees to a considerable extent are communicated and minimum notice periods given according to our various union, collective bargaining and works council agreements. Topics requiring notice include:</p> <ul style="list-style-type: none"> → Mergers or splitting of companies or production facilities → Relocation of companies, production facilities (or significant parts thereof) , and relocation of production → Cut-back or closure of companies, production facilities (or significant parts thereof), and → Collective redundancies. <p>Under the European Works Council, additional information and consultation applies to the following matters:</p> <ul style="list-style-type: none"> → Structure of the company and its economic and financial situation, → Anticipated development of the business, including its production and sales levels → Employment situation and its anticipated development that are significant, including organizational changes, → Significant EHS, Ethics and Compliance matters, → Investment priorities in the business, → Introduction of new working and production procedures.

OCCUPATIONAL HEALTH AND SAFETY		
GRI 103: Management Approach 2016		
103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 75 .
GRI 403: Occupational Health and Safety 2018		
403-1	Occupational Health and Safety Management System	<p>Xylem holds itself to the high standards required to meet the International Organization for Standardization (ISO) and Occupational Health and Safety Assessment Series (OHSAS) certification. 11 of our global manufacturing facilities, one office and 11 sales company facilities are OHSAS 18001 certified for health and safety management. Implementation of the OHSAS certification is a voluntary commitment that we consider a long-term investment in our employees and reputation.</p> <p>Xylem investigates all significant incidents occurring at our facilities and completes root cause analyses to identify and prevent recurrence. To make maintaining site compliance easier, a site profile application is part of our online environmental, health and safety (EHS) compliance system, allowing sites facilities to track site-specific information, such as permits, environmental risks and facility information.</p>
403-2	Hazard Identification, Risk Assessment and Incident Investigation	Our facilities track safety performance according to a Risk Reduction Index (RRI), an analysis of select leading indicators such as management inspections, timely correction of identified hazards, completion of Toolbox Talks and employee reports. Risk profiling has been completed at many manufacturing facilities, and expansion across all Xylem facilities will continue in 2020.
403-5	Worker Training on Occupational Health and Safety	Xylem has a robust health and safety training program which helps our employees understand their safety responsibilities and provides specific information to allow them to conduct their job safely. This training is completed in several ways including classroom, on-line and at some facilities using virtual training and includes topics such as ergonomics, electrical safety, confined space entry and driver safety. As of 2019, over 1,000 drivers participated in the Alert Driving training program aimed at improving fleet safety by reinforcing awareness of our responsibility to drive safely.
403-9	Work-Related Injuries	See Building a Sustainable Company, page 75 .
GRI 419: Socioeconomic Compliance 2016		
419-1	Non-compliance with Laws and Regulations in the Social and Economic Area	<p>In 2019, Xylem had one significant non-compliance in Occupational Health and Safety</p> <p>Texarkana, Arkansas</p> <p>An employee suffered a serious hand injury while cutting a stainless steel plate due to inadequate machine guarding. OSHA investigated and proposed penalties. An informal conference was held, and a follow-up OSHA inspection conducted. The case was closed in a private settlement.</p>

TRAINING AND EDUCATION

GRI 103: Management Approach 2016

103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 72 .
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GRI 404: Training and Education 2016

404-1	Average Hours of Training Per Year Per Employee	See Building a Sustainable Company, page 71 .
404-2	Programs for Upgrading Employee Skills and Transition Assistance Programs	See Building a Sustainable Company, pages 69-71 .

DIVERSITY AND EQUAL OPPORTUNITY

GRI 103: Management Approach 2016

103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 79 .
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GRI 405: Diversity and Equal Opportunity 2016

405-1	Diversity of Governance Bodies and Employees	See Building a Sustainable Company, page 77 .
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SUPPLIER SOCIAL ASSESSMENT

GRI 103: Management Approach 2016

103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 67 .
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GRI 414: Supplier Social Assessment 2016

414-1	New Suppliers That Were Screened Using Social Criteria	See Building a Sustainable Company, page 65 .
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CUSTOMER HEALTH AND SAFETY		
GRI 103: Management Approach 2016		
103-1, 103-2, 103-3	Management Approach	See Serving Our Customers, page 46 .
GRI 416: Customer Health and Safety 2016		
416-1	Assessment of The Health and Safety Impacts of Product and Service Categories	See Serving Our Customers, page 46 .
416-2	Incidents of Noncompliance Concerning the Health and Safety Impacts of Products and Services	See Serving Our Customers, page 45 .
COMPANY-SPECIFIC (NON-GRI) DISCLOSURES		INFORMATION / LOCATION IN REPORT
STRATEGIC PARTNERSHIPS		
GRI 103: Management Approach 2016		
103-1, 103-2, 103-3	Management Approach	See Empowering Communities, page 87 .
SASB IF WU 440a.3	Discussion of strategies to manage risks associated with the quality and availability of water	See Empowering Communities, page 84 .
CLIMATE CHANGE		
GRI 103: Management Approach 2016		
103-1, 103-2, 103-3	Management Approach	See Building a Sustainable Company, page 60 .
SASB IF WU 450a.4	Description of efforts to identify and manage risks and opportunities related to the impact of climate change	See Building a Sustainable Company, page 60 .

BUSINESS TRANSFORMATION

GRI 103: Management Approach 2016

103-1, 103-2, 103-3	Management Approach	Our SVP, Chief Financial Officer, our SVP, Chief Human Resources Officer, and our SVP, Chief Supply Chain Officer are responsible for overseeing activities related to Business Transformation. The successful implementation of these actions are critical to positioning us for future growth and simplifying our existing operations.
N/A	Productivity savings from restructuring and realignment plans	See How We Think About Sustainability, page 17 .

INTELLECTUAL PROPERTY PROTECTION

GRI 103: Management Approach 2016

103-1, 103-2, 103-3	Management Approach	See Serving Our Customers, page 41 .
SASB TC0401 15	Number of patent litigation cases, number successful, and number as patent holder	See Serving Our Customers, page 42 .
N/A	# patents and/or trademarks filed/pending/awarded/rejected	See Serving Our Customers, page 42 .

INNOVATION

GRI 103: Management Approach 2016

103-1, 103-2, 103-3	Management Approach	See Serving Our Customers, page 40 .
SASB IF WU 420a.2	Customer water savings from efficiency measures, by market	See Serving Our Customers, page 35 .

KEY UN SUSTAINABLE DEVELOPMENT GOALS (SDGS)

SDG-3	Good Health and Well Being	See How We Make Progress, page 32 .
SDG-5	Gender Equality	See How We Make Progress, page 32 .
SDG-6	Clean Water and Sanitation	See How We Make Progress, page 32 .
SDG-9	Industry, Innovation, and Infrastructure	See How We Make Progress, page 32 .
SDG-11	Sustainable Cities	See How We Make Progress, page 32 .
SDG-13	Climate Action	See How We Make Progress, page 32 .