

Second-Party Opinion

Xylem Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Xylem Green Finance Framework aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Water Productivity, Water Quality and Water Resiliency – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020, namely eco-efficient and/or circular economy adapted products, production technologies and processes and sustainable water and wastewater management. Sustainalytics considers that expenditures financed under these categories will promote advancements in the environmental efficiency of water use and advance the UN Sustainable Development Goals, specifically SDGs 6, 9, and 11.



PROJECT EVALUATION / SELECTION Xylem has established a Green Finance Committee, with cross-departmental and senior management representation, that is charged with selecting projects in accordance with the Framework. This is in line with market practice.



MANAGEMENT OF PROCEEDS Xylem will allocate proceeds to an eligible project portfolio, which will be adjusted over time so that the portfolio balance matches or exceeds outstanding green financing. Pending allocation, proceeds may be held in cash or liquid securities. This is in line with market practice.



REPORTING Xylem Inc intends to report allocation proceeds on its website on an annual basis until full allocation, including amount allocated and outstanding balance. In addition, Xylem will report on relevant quantitative impact metrics, specifically those that align with the Company's 2025 Signature Goals. This is in line with market practice.

Evaluation date	June 15, 2020
Issuer Location	Rye Brook, NY, USA

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Introduction

Xylem Inc. (“Xylem”, the “Issuer”, or the “Company”) is a designer, manufacturer, and equipment and service provider for water and wastewater applications. The company operates across the full cycle of the water usage process, from collection and distribution to use and return to the environment. Xylem’s broad portfolio of products and solutions includes pumps, treatment and testing equipment, valves, heat exchangers, dispensing equipment, meters, and network technologies.

Xylem¹ has developed the Xylem Green Finance Framework (the “Framework”) under which it intends to issue green debt, which may include Green Bonds, Green Loans, Green Schuldscheine, Green Commercial Paper, and Green Private Placements, and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future investments in products and/or projects that advance the Company’s sustainability goals in the areas of:

1. Water Productivity
2. Water Quality
3. Water Resiliency

Activities within these areas align with the Green Bond Principle and the Green Loan Principles categories of eco-efficient and/or circular economy adapted products, production technologies and processes and sustainable water and wastewater management.

Xylem engaged Sustainalytics to review the Xylem Green Finance Framework, dated June 2020, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)² and the Green Loan Principles 2020 (GLP).³ This Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018 and Green Loan Principles 2020;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.4, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Xylem’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Xylem representatives have confirmed (1) they understand it is the sole responsibility of Xylem to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

¹ In addition to Xylem Inc., issuers under the Framework may include subsidiaries such as Xylem Europe GmbH, Xylem International S.a.r.l., related co-investment ventures and other affiliates.

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

³ The Green Loan Principles are administered by the Loan Market Association, the Asia Pacific Loan Market Association, and the Loan Syndication and Trading Association, and are available at <https://www.lsta.org/content/green-loan-principles/>

⁴ The Xylem Green Finance Framework is available on Xylem Inc’s website at: <https://www.xylem.com/en-us/sustainability/>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Xylem.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Xylem has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Xylem Green Finance Framework

Sustainalytics is of the opinion that the Xylem Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP and the GLP. Sustainalytics highlights the following elements of Xylem's Green Finance Framework:

- Use of Proceeds:
 - The eligible categories – Water Productivity, Water Quality and Water Resiliency – are aligned with those recognized by the Green Bond Principles and Green Loan Principles, namely eco-efficient and/or circular economy adapted products, production technologies and processes and sustainable water and wastewater management.
 - Xylem has disclosed its intention that the green investments/expenditures are intended to advance the Company's 2025 Signature Goals (see Section 2), and that these investments may occur across its three business segments of Water Infrastructure, Applied Water, and Measurement & Control.
 - The Framework provides examples of the type of activities contemplated within each category:
 - Water Productivity includes digital technologies and sensors intended to optimize water management, such as smart metering and improvements to products that increase energy performance. Sustainalytics views positively the expressed intention of the activities, as well as the specific examples provided.
 - Water Quality includes technology for water treatment and reuse, including chemical-free, UV, and ozone treatments. Sustainalytics views positively the expressed intention of the activities, as well as the specific examples provided, highlighting Xylem's focus on energy-efficient design.
 - Water Resilience includes equipment such as control systems for flood control and critical water supply infrastructure, as well as associated sensing technologies and broader monitoring projects, with specific focus on water-stressed regions. Sustainalytics views positively objective of improving the performance and resilience of water infrastructure, as well as the specific technology examples provided.
 - Xylem may allocate proceeds of its green financing to R&D expenditures. Sustainalytics recognizes that R&D activities have the potential to result in positive environmental outcomes, while noting the difficulty in quantifying the direct impacts of R&D related activities until the commercialization phase, as well as that the GBP are commonly focused on project expenditures. Overall, Xylem's R&D expenditures are viewed positively based on: the disclosure of anticipated environmental benefits, the Company's demonstrated track record of

- successfully implementing new and advanced technology, and the specific products targeted by the Framework for R&D activity are noted to be in deployment and/or near commercial stage.
- Xylem may also consider acquisition costs; Sustainalytics recognizes that in certain circumstances acquisitions may be considered a grey area for investors, in particular as it relates to quantifying the “green” value of an acquisition. However, Xylem has clarified that acquisitions funded by the proceeds of the financing will be for the purpose of expanding the company’s ability to deliver sustainable water products and services, as well as to increase the capacity for R&D in this area. Recent acquisitions include companies involved in data analytics, leak detection, and watershed collection system management.
 - The Framework specifically excludes expenditure related to oil and gas activities, which Sustainalytics views as aligned with market expectation.
 - Project Evaluation and Selection:
 - Xylem has established a Green Finance Committee, comprised of members of the Treasury, Environmental, Social and Governance Department, relevant other departments, and members of the management team, which will be charged with determining eligibility per the requirements of the Framework.
 - Based on the oversight by a formal committee including senior management, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - The proceeds of all green financing will be allocated to an eligible project portfolio, which will be adjusted over time so that the portfolio balance matches or exceeds outstanding green financing. Projects financed within the three-year period prior to allocation shall be considered eligible
 - Pending allocation, Xylem will hold unallocated proceeds in cash or other liquid instruments; the Company intends to fully allocate within 24 months.
 - Based on the defined portfolio approach, the disclosure of temporary management approaches, and the establishment of look-back and allocation periods, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Xylem has committed to reporting annually until full allocation on the allocation and impact of its financing, on a portfolio basis
 - Allocation reporting will include total amounts invested/expended, where feasible the regional distribution of projects, the balance of unallocated proceeds, and the share of financing and refinancing.
 - Where feasible, impact reporting will include project descriptions and quantitative indicators such as amounts of water saved and treated, percent reductions in water use or improvement in energy efficiency, and the number of individuals provided with water and sanitation services.
 - Xylem intends to receive verification on the allocation of proceeds to eligible projects by its external auditor.
 - Based on the commitments to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018 and Green Loan Principles 2020

Sustainalytics has determined that the Xylem Green Finance Framework aligns to the four core components of the GBP 2018 and the GLP 2020. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of Xylem/ Sustainability Strategy of Xylem

Contribution of framework to Xylem Inc’s sustainability strategy⁶

Xylem’s sustainability strategy is focused on building a healthier, more water-secure world, while creating social and economic value. To advance this objective, Xylem has described a commitment to providing sustainability solutions to its customers by developing innovative solutions and technologies to solve water

⁶ Xylem, Sustainability Report 2019, at: <http://sustainability.xylem.com/sustainability/stakeholder.html>

challenges; within the Company by implementing fair and ethical business practices and reducing its operational footprint; and in local communities by helping them become more sustainable and resilient.

Xylem renewed its sustainability goals in 2019 to focus its efforts on the most urgent water challenges. These goals, also known as its 2025 Signature Goals, consist of specific targets focused on the above-mentioned areas of customers, company, and communities. Some of these targets include: treating 13 billion m³ of water for reuse; preventing 7 billion m³ of polluted water from flooding communities or entering local waterways; providing access to clean water and sanitation solutions for at least 20 million people living at the base of the global economic pyramid; using 100% renewable energy and recycling 100% of water at 22 of its major facilities; giving 1% of its profit to local communities for water-related causes and education; and deploying humanitarian aid to 200 areas affected by water-related natural disasters. Apart from seeking innovative solutions to create a more water-secure world, Xylem also strives to reduce waste and emissions not only from its facilities but also from its products. Some of these initiatives include employing digital solutions to reduce emissions – such as the Xylem Field Smart Technology, a cloud based system that allows customers to monitor and control pumps from anywhere in the world, as well as facilitating recycling of some of its products under its YSI free recycling program.

Xylem is committed to improving its process of tracking and monitoring progress in achieving its 2025 Signature Goals by implementing measures such as third party review and validation of sustainability metrics; monthly review of progress by the Environmental, Health and Safety team; and quarterly review by senior leadership as well as the ESG Committee. The Company has already reported its progress on the 2025 Signature Goals for 2019 and plans to provide an annual update until 2025. In addition, Xylem provides materiality disclosures in line with the Reporting Guidelines of the Global Reporting Initiative (GRI).

Based on Xylem's establishment of quantitative and time-bound sustainability performance targets, as well as its implementation of processes to assess, manage, and mitigate its operational and product footprint, Sustainalytics considers that the Xylem Green Financing Framework is aligned with and will support the Company's overall sustainability performance.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that both the manufacturing sector and the water infrastructure sector may be associated with environmental and social risks. Such environmental risks may include soil or groundwater contamination, dust, particle, and noise pollution, and energy consumption and emissions, while social risks may include workers' health and safety or community engagement. Xylem has risk management procedures in place to mitigate the risks associated with the use of proceeds of the green financing, including its:

- Code of Conduct⁷, which states both general expectations surrounding ethical and compliant behavior, as well as specific requirements in a variety of areas.
- Engagement with third-party organizations and standards. Xylem is a signatory of the UN Global Compact, the American Business Act on Climate Pledge, and the CDP (formerly Carbon Disclosure Project), and participates in or provides funding to various NGOs including the International Water Association, Ceres, and Water For People.⁸
- Commitment to regulatory compliance in each jurisdiction in which it operates. Xylem's corporate goal is 100% compliance across all its sites.
- A stated aspiration of zero workplace injuries. In 2019 the Company reported an injury frequency rate of 0.67, a 56% reduction since the 2014 base year, and a single significant OHS non-compliance issue which was settled. Currently, 60 of Xylem's facilities 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.⁹
- Statement on Efforts to Combat Modern Slavery and Human Trafficking in Supply Chains¹⁰, which details the company's efforts to combat modern slavery within its supply chain and the verification that it undertakes to this end, including training, audits, and certification.
- Supplier Code of Conduct and Supplier Ombudsperson Program¹¹, which state that Xylem should choose business partners that act in adherence to social, ethical, and environmental principals. Xylem also

⁷ Xylem, Code of Conduct, (accessed on 10 June 2020), at: <https://www.xylem.com/siteassets/about-xylem/code-of-conduct/our-code-of-conduct/code-of-conduct-english.pdf>

⁸ Xylem, Sustainability Report 2019, at: <http://sustainability.xylem.com/sustainability/stakeholder.html>

⁹ Xylem, Sustainability Report 2019, at: <http://sustainability.xylem.com/sustainability/stakeholder.html>

¹⁰ Xylem, Statement on Efforts to Combat Modern Slavery, (accessed on 10 June 2020), at: <https://www.xylem.com/siteassets/about-xylem/transparency-in-supply-chains.pdf>

¹¹ Xylem, Supplier Ombudsperson Program, (accessed on 10 June 2020), at <https://www.xylem.com/siteassets/about-xylem/code-of-conduct/supplier-code-of-conduct/english.pdf>

employs a third-party service provider to assist in reviewing its supply chain and in 2019 it surveyed 4,548 in-scope suppliers.

- Conflict Minerals Policy Statement¹², which aims to ensure that any mineral it procures, including tin, tantalum, tungsten, and gold, are sourced from outside of the Conflict Region, or are certified as “conflict-free”.

Additionally, Sustainalytics notes that as a developer of technology and manufacturer of equipment that Xylem’s products may be used in a wide variety of implementations, not all of which are necessarily aligned with the transition to a low-carbon economy. Xylem has addressed some of the most impactful risks by explicitly excluding products dedicated to the oil & gas sector from its eligibility for green financing.

Given the policies and practices in place, and considering the ongoing reporting, engagement with third-party organizations, and certifications obtained, Sustainalytics is confident that Xylem is well positioned to identify, manage, and mitigate environmental and social risks associated with the projects financed.

Section 3: Impact of Use of Proceeds

The use of proceeds category, sustainable water and wastewater management, is recognized as impactful by the Green Bond Principles 2018 and Green Loan Principles 2020.

Importance of sustainable water solutions

Climate change is anticipated to place stresses on the water cycle in regions around the world, including increases in both droughts and severe weather events, as well as water contamination. According to the IPCC’s Fifth Assessment Report, “the fractions of the global population that will experience water scarcity and be affected by major river floods are projected to increase”.¹³ Growing populations, particularly in urban areas, put additional pressure on already strained resources. It is estimated that in developing countries, approximately 80-90% of wastewater is released directly in rivers, lakes, and seas. These discharges severely damage the environment and result in the spread of water-borne diseases, as well as hindering economic development.¹⁴ In this context, additional infrastructure and management of water resources will be necessary to meet the water needs of populations around the world. This issue is further reinforced by the fact that 20% of Xylem’s sales are in emerging market countries,¹⁵ putting the company in a position to positively impact the environment in these regions. Sustainalytics believes that ongoing development of innovative solutions will generate positive environmental impacts, and Xylem’s green finance framework can contribute to this process.

Additionally, Xylem’s smart technologies, such as smart water meters, contribute to optimizing water delivery thus leading to greater water efficiency. Sustainalytics views positively Xylem’s R&D-focuses acquisitions which will advance Xylem’s strategy to be a leading provider of systems intelligence solutions in the global water sector.¹⁶

Impact of water infrastructure and technology

Technology deployed to address water issues may themselves lead to environmental impact. For example, pumping systems can require substantial energy inputs, valves and piping face risks of leaks which can lead to resource waste or contamination, and the manufacture and installation of equipment can cause pollution to air and soil. Xylem’s intended focus on energy-efficient design and its ongoing research in leak detection and mitigation systems are important measures which will help manage these risks. Ongoing investment in the development and deployment of environmentally friendly technologies will be necessary to mitigate these adverse effects, while continuing to meet the water and wastewater needs of growing populations.

According to Xylem, life cycle assessment of its products show that most environmental impacts result from the operational phase. In light of this, significant gains to overall environmental performance can be attained by improving the operational profile of products. Xylem’s internal data shows that the average efficiency of

¹² <https://www.xylem.com/en-us/about-xylem/conflict-minerals-policy-statement/>

¹³ IPCC, Future Climate Changes, Risks and Impacts, (accessed on 10 June 2020), at: http://ar5-syr.ipcc.ch/topic_futurechanges.php

¹⁴SDG, Knowledge Platform, Advocating for more wastewater management, (accessed on 10 June 2020), at:

<https://sustainabledevelopment.un.org/topics/water/unsqab/wastewater>

¹⁵ Xylem, Form 10-K, February 2018, at: <https://xyleminc.gcs-web.com/static-files/889dd371-ed47-488b-8664-cfe458b8557b>

¹⁶ Sensus, a Xylem brand, (accessed on 10 June 2020), at: <https://sensus.com/news-events/news-releases/xylem-inc-acquire-sensus-global-leader-smart-meters-network-technologies-advanced-data-analytics-solutions-water-industry-1-7-billion-cash/>

its most popular pump brand, Flygt, has increased by 2.8% over the last 5 years, including a 0.2% improvement from 2016 to 2017. The company calculates that this year-over-year improvement amounts to a savings of 55,000 tons of CO₂ over the life cycle of the products. Xylem has targeted R&D spending to increase by more than \$70 million annually by 2020, which will support the ongoing improvement of existing products, as well as the development of new more sustainable models and the potential for breakthrough solutions. Sustainalytics considers the ongoing investment in R&D focused on efficiency and environmental performance to have clear positive environmental impacts.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond / loan advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Water Productivity	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Water Quality	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Water Resiliency	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

Conclusion

Xylem has developed the Xylem Green Finance Framework under which it will issue green debt and use the proceeds to finance projects which advance the objectives of improving water productivity, water quality, and water resiliency. Sustainalytics considers that the projects funded by the green finance proceeds are aligned with the Green Bond and Green Loan principles categories of eco-efficient and/or circular economy adapted products, production technologies and processes, and sustainable water and wastewater management, and will provide positive environmental impacts. Sustainalytics highlights in particular that Xylem will invest in both the manufacture of products as well as R&D and acquisitions which support these environmental impacts.

The Xylem Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Xylem Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 9 and 11. Additionally, Sustainalytics is of the opinion that Xylem has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Xylem Inc is well-positioned to issue green debt and that the Xylem Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2020.

Appendices

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Xylem Inc
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Xylem Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 15, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds –Water Productivity, Water Quality and Water Resiliency – are aligned with those recognized by the Green Bond Principles 2018 and Green Loan Principle 2020, namely eco-efficient and/or circular economy adapted products, production technologies and processes and sustainable water and wastewater management. Sustainalytics considers that expenditures financed under these categories will promote advancements in the environmental efficiency of water use and advance the UN Sustainable Development Goals, specifically SDGs 6, 9, and 11

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

Xylem has established a Green Finance Committee, with cross-departmental and senior management representation, that is charged with selecting projects in accordance with the Framework. This is in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer’s environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available Other (*please specify*):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Xylem will allocate proceeds to an eligible project portfolio, which will be adjusted over time so that the portfolio balance matches or exceeds outstanding green financing. Pending allocation, proceeds may be held in cash or liquid securities. This is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (*please specify*):

4. REPORTING

Overall comment on section (*if applicable*):

Xylem Inc intends to report allocation proceeds on its website on an annual basis until full allocation, including amount allocated and outstanding balance. In addition, Xylem will report on relevant quantitative impact metrics, specifically those that align with the Company's 2025 Signature Goals. This is in line with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis

- Linkage to individual bond(s) Other (*please specify*):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (*please specify*):

Frequency:

- Annual Semi-annual
- Other (*please specify*):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (*please specify*):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (*please specify*): Xylem 2025 signature goals

Frequency

- Annual Semi-annual
- Other (*please specify*):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (*please specify*): To corporate website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): Auditor to attest to allocations

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE
Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):
Date of publication:
ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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