Xylem Inc - Water 2018

W0. Introduction

W0.1

(W0.1) Give a general description of and introduction to your organization.

Xylem, with 2017 revenue of $4.7 billion and approximately 16,200 employees, is a leading global water technology company. We design, manufacture and service highly engineered solutions ranging across a wide variety of critical applications primarily in the water sector. Our broad portfolio of 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, condition assessment and leak detection, building services and industrial processing.

Launched in 2011 from the spin-off of the water-related businesses of ITT Corporation, Xylem is headquartered in Rye Brook, New York, and sells our products in approximately 150 countries through a balanced distribution network consisting of our direct sales force and independent channel partners. Xylem operates five product focused businesses, which it calls Growth Centers: Dewatering, Transport, Treatment, Measurements and Control Solutions, and Applied Water Systems (AWS). These Growth Centers are interconnected, anticipating and reflecting evolving needs and sharing their applications expertise to address every stage of the water cycle.

The name Xylem is derived from classical Greek referring to the tissue that transports water in plants, highlighting the engineering efficiency of our water-centric business by linking it with the best water transportation of all – that which occurs in nature. To the people of Xylem, our name stands for our promise to live our values while solving our customers' most challenging water problems, and to set industry standards for fluid technology applications and water solutions.

Xylem’s mission is to solve water. Xylem’s vision and values provide its foundation for growth and inspire Xylem to behave as a responsible industry leader and corporate citizen:

• Respect for internationally proclaimed human rights and working conditions, and for the environment

• Responsibility for how our activities, products and services affect people and the environment

• Integrity for acting ethically and living up to our Code of Conduct

• Creativity to develop innovative energy and water efficient solutions

W0.2

(W0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date
Reporting year	January 1 2017	December 31 2017

W0.3

(W0.3) Select the countries/regions for which you will be supplying data.

Argentina
Australia
Austria
Belgium
Brazil
Canada
Chile
China
China, Hong Kong Special Administrative Region
Colombia
Czechia
Denmark
Finland
France
Germany
Hungary
India
Ireland
Italy
Japan
Luxembourg
Malaysia
Mexico
Morocco
Netherlands
New Zealand
Norway
Peru
Philippines
Poland
Portugal
Republic of Korea
Russian Federation
Singapore
Slovakia
South Africa
Spain
Sweden
Switzerland
United Arab Emirates
United Kingdom of Great Britain and Northern Ireland
United States of America
Venezuela (Bolivarian Republic of)

W0.4

(W0.4) Select the currency used for all financial information disclosed throughout your response.

USD

W0.5

(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.

Companies, entities or groups over which operational control is exercised

W0.6

(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?

Yes

W0.6a

(W0.6a) Please report the exclusions.

Exclusion	Please explain
Water-related impacts are not included for administrative facilities.	Administrative offices are not currently required to report water-related metrics in our online EHS metrics system. Office spaces are predominantly leased with water provided through the lease and managed by a landlord. In addition, the related water usage is estimated to be low, since it only includes toilets and kitchen areas for a limited number of employees.
Entities sharing a building with other tenants and not equipped with own water meter	Xylem entities sharing a building with other tenants, and not equipped with their own water meter, are not required to report water metrics, since the accuracy of the reporting could not be verified.

W1. Current state

W1.1

(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Important	Vital	Xylem uses freshwater in manufacturing processes worldwide. Water is used in tanks to test products after repair, at high-pressure washing stations, or for the lubrication and cooling of machining equipment. Water is also used for sanitary services. Xylem treats, reuses and recycles approximately 26% of the water withdrawn by our operations. As for indirect use, water quantity and quality are of vital importance to our customers (utilities, industrial, commercial, residential) and consumers in developed and developing countries. As the demand for water consumption increases at a historic pace, freshwater availability is declining due to pollution growth, climate change, increased urbanization, poor water infrastructure, overuse and other factors. Xylem is working to increase the quality and quantity of freshwater available through our products and services used for transporting, treating and testing water.
Sufficient amounts of recycled, brackish and/or produced water available for use	Important	Important	Our RandD and Applied Research departments rely on recycled, brackish and produced water to operate testing facilities. The supply of recycled/brackish water play a role in validating set criteria in respect to energy and water usage efficiency for our products. In some facilities, we began to collect rainwater for use in test tanks and use recycled water for landscaping and sanitation. The facilities where we collect rainwater are: Calamba, Philippines; Hoddesdon, UK; Strzelin, Poland; and Yellow Springs, OH, USA. In terms of customers and consumers, as droughts increase, water reuse/recycled water will become increasingly important to help meet growing water demands. Xylem's advanced water reuse solutions produce high-quality potable water at a lower life-cycle cost than developing a new water supply. Xylem has implemented a water reuse system as part of L.A. Terminal Island Water Reclamation Plant expansion, now recycling and purifying more than 12 mil. gallons/day for reuse.

W1.2

(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?

	% of sites/facilities/operations	Please explain
Water withdrawals – total volumes	76-99	Xylem tracks water withdrawal using an online metrics tool called Gensuite. Facilities equipped with water meters report monthly, facilities receiving consumption information from invoices report quarterly. Water withdrawal values are aggregated at the corporate level and used to track progress against our sustainability goal to reduce water use intensity by 25% by 2019. These values are also factored into the WRI Aqueduct Tool to analyze water risk at the facility level. Office-only facilities with less than 10 employees and facilities sharing a building with other tenants and without their own water meter are not required to report water withdrawal.
Water withdrawals – volumes from water stressed areas	76-99	In 2017, water withdrawn from water-stressed areas represented 41% of the total water consumption. To determine which Xylem sites are located in water-stressed or water-scarce areas, Xylem used The Global Water Tool, developed by WBCSD. In addition, Xylem uses the WRI Aqueduct Risk Atlas Tool to conduct sensitivity analysis to assess water stress in the areas where each Xylem facility is located, focusing on the indicator 'Projected changes in water stress in year 2020.' The Company uses the Aqueduct analysis along with actual water consumption at each site to set water reduction goals and to adhere to a risk-based approach concerning the allocation of resources for water consumption projects. Water withdrawals from facilities in water-stressed areas are monitored monthly for facilities with water meters, and quarterly for facilities receiving consumption information from invoices.
Water withdrawals – volumes by source	76-99	Xylem tracks environmental data, including water withdrawal, using an online metrics tool called Gensuite. We measure the amount of water withdrawn by source (surface water, groundwater and municipal networks). Facilities equipped with water meters report monthly, facilities receiving consumption information from invoices report quarterly.
Produced water associated with your metals & mining sector activities - total volumes	<Not Applicable>	<Not Applicable>
Produced water associated with your oil & gas sector activities - total volumes	<Not Applicable>	<Not Applicable>
Water withdrawals quality	76-99	Supervision and management of water quality at manufacturing locations occur at the facility level. Water quality indicators are used at both the intake and discharge stages. Xylem tracks this information monthly to ensure regulatory and environmental compliance.
Water discharges – total volumes	76-99	Xylem tracks water discharges using an online metric tool called Gensuite. Each applicable facility tracks its compliance with discharge limits and parameters. Xylem tracks this information monthly to ensure regulatory and environmental compliance. The volume of water discharged is reported and reviewed at the facility level and is aggregated at the corporate level to track our progress against our sustainability goals. These values are also factored into the WRI Aqueduct Risk Atlas Tool, focusing on the indicator 'Projected changes in water stress in year 2020.' to analyze water risk at the facility level. In addition, these values are incorporated into the Eco-Efficiency Easy Tool to identify and prioritize areas/projects for water savings.
Water discharges – volumes by destination	Not monitored	Xylem tracks water discharges using an online metrics tracking tool called Gensuite. Water discharge is not tracked by destination at the corporate level.
Water discharges – volumes by treatment method	Not monitored	Xylem tracks water discharges using an online metrics tracking tool called Gensuite; however, water discharge is not tracked by treatment method at the corporate level.
Water discharge quality – by standard effluent parameters	76-99	Supervision and management of water quality at manufacturing locations occurs at the facility level. Water quality indicators are used at both the intake and discharge stages, and each applicable facility tracks its compliance with discharge limits and parameters. Xylem tracks this information monthly to ensure regulatory and environmental compliance.
Water discharge quality – temperature	Not monitored	Xylem tracks water discharge quality using an online metrics tracking tool called Gensuite; however, water discharge temperature is not tracked.
Water consumption – total volume	76-99	Xylem tracks water data using an online metrics tracking tool called Gensuite. Water consumption is a calculated value using the following formula: Water Consumption = Water withdrawal - water discharged - water recycled or reused. Several facilities recycle and reuse water at Xylem, to drive more efficient water usage and maintain lower consumption values.
Water recycled/reused	76-99	Xylem tracks water recycled/reused, using an online metrics tool called Gensuite. Water recycled/reused is reported and reviewed at the facility level, monthly for facilities equipped with water meters, and quarterly for facilities getting consumption information from invoices. Water recycled/reused values are aggregated at the corporate level and used to track our progress against our sustainability goal to reduce water use intensity by 25% by 2019. In addition these values are incorporated in the eco-efficiency tool to identify and prioritize areas/projects for water savings. In 2017, the amount of water recycled/reused at Xylem facilities represented 3.8% of the total amount of withdrawn water.

	% of sites/facilities/operations	Please explain
The provision of fully-functioning, safely managed WASH services to all workers	100%	Xylem provides fully functioning access to water supply, adequate sanitation and hygiene (WASH) for all its workers. Xylem's Corporate Health Program (#21-400.34) ensures the safety of employees and includes a corporate hygiene policy. In addition, Xylem's Corporate Drinking Water Management Policy (#21-400.14), implemented at all Xylem sites, ensures that all employees have a safe, clean and adequate supply of drinking water.

W1.2b

(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, and how do these volumes compare to the previous reporting year?

	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Total withdrawals	414.5	Higher	Due to these recent acquisitions, Xylem's 2017 withdrawal volume increased by 13.4%, which we consider to be higher (as opposed to much higher, given that our withdrawals did not increase more than 50%). However, even with the increase in withdrawal, Xylem still achieved a 17% reduction in water intensity from our 2014 baseline. Our global manufacturing facility in Emmaboda, Sweden, reduced water consumption by 33,000 cubic meters (m3) per year, or 30 percent, since the installation of two reversible heat pumps connected to three hardening machines. Water consumption levels vary greatly from facility to facility, which creates a challenge when attempting to deploy water reduction initiatives across the company. Future water withdrawal levels may vary due to both opportunities to reduce water usage, as well as risks of drought and extreme weather due to climate change. Xylem published a white paper outlining upcoming challenges of decreasing water supplies. The white paper can be found here: https://www.xylem.com/siteassets/about-xylem/xylem-value-of-water-information-2017-sept.pdf.
Total discharges	90.27	Higher	Xylem acquired Sensus, Visenti, and Tideland in 2016 and they began reporting environmental metrics in 2017. Partially due to these recent acquisitions, Xylem's 2017 total discharges increased by 72%. Xylem considers this comparison to be "much higher," because discharge numbers have increased by more than 50%. All Xylem sites meet or exceed national, local and our own requirements for the return of clean and safe wastewater back into public water streams. To help meet these standards, several of our manufacturing sites have installed onsite wastewater treatment systems. In 2017, we treated and released over 90.3 megaliters back into the environment. Future discharge volumes will vary based not only on varying withdrawal levels, but also based on the number of manufacturing sites with onsite wastewater treatment systems.
Total consumption	324.23	Higher	Xylem acquired Sensus, Visenti, and Tideland in 2016 and they began reporting environmental metrics in 2017.Partially due to these recent acquisitions, Xylem's 2017 total consumption increased by 3.5%. Even so, 2017 consumption volumes represent a 16.7% reduction in water withdrawal intensity from our 2014 baseline. Our global manufacturing facility in Emmaboda, Sweden reduced water consumption by 33,000 cubic meters (m3) per year, or 30 percent, since the installation of two reversible heat pumps connected to three hardening machines. Water consumption levels vary greatly from facility to facility, which creates a challenge when attempting to deploy water reduction initiatives across the company. Future water withdrawal levels may vary due to both opportunities to reduce water usage, as well as risks of drought and extreme weather due to climate change. Xylem published a white paper outlining upcoming challenges of decreasing water supplies. The white paper can be found here: https://www.xylem.com/siteassets/about-xylem/xylem-value-of-water-information-2017-sept.pdf.

W1.2d

(W1.2d) Provide the proportion of your total withdrawals sourced from water stressed areas.

	% withdrawn from stressed areas	Comparison with previous reporting year	Identification tool	Please explain
Row 1	41	Lower	WRI Aqueduct	To determine which Xylem sites are located in water-stressed or water-scarce areas, Xylem used The Global Water Tool, developed by the World Business Council for Sustainable Development. This tool was used at manufacturing sites, sales and service facilities and large office-only facilities. Additionally, Xylem uses the WRI Aqueduct Tool to conduct sensitivity analysis in order to: a) determine how water stressed the area is where each Xylem facility is located, and b) provide specific, drilled down analysis of the water quality and resilience risks at each Xylem facility including characteristics such as regulatory landscape, drought, flood, upstream and groundwater risks among others Xylem then uses the Aqueduct analysis along with actual water consumption at each site to set goals for reduction of water consumption and inform a risk-based approach to the allocation of resources for water consumption projects consistent with our water intensity reduction goal of 25% reduction by 2019. Our Montecchio, Italy facility is the second highest facility for water withdrawal. It is located in a water-stressed region. Montecchio reduced its water withdrawal by 29% from 2016 to 2017.

W1.2h

(W1.2h) Provide total water withdrawal data by source.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Relevant	11.2	Lower	Our highest Xylem facility for water withdrawal is located in Emmaboda, Sweden. It is the only site using surface water and it reduced its water consumption by 39% from 2016 to 2017, which is about 33,000 cubic meters (m3) per year. This is due to the installation of two reversible heat pumps connected to three hardening machines. We anticipate continuing to reduce our freshwater use in the future due to similar projects, working toward our overall water intensity reduction goal of 25% by 2019.
Brackish surface water/seawater	Relevant but volume unknown	<Not Applicable>	<Not Applicable>	Xylem produces a range of reverse osmosis membrane filtration systems for desalinating water and producing high-purity or potable water from brackish water and seawater sources. We use brackish water in our R&D and Applied Research testing facilities for these products, but we do not track the volume required at this time.
Groundwater – renewable	Not relevant	<Not Applicable>	<Not Applicable>	At this time Xylem does not track its renewable groundwater withdrawal at the corporate level. Our Montecchio, Italy facility is the only location to use groundwater for production processes and irrigation. Montecchio reduced its overall water withdrawal by 29% from 2016 to 2017. We consider this comparison “Lower” as opposed to “Much Lower” because the decrease is less than 50%. We anticipate further reductions in non-renewable groundwater consumption due to our expectations of increased efficiencies.
Groundwater – non-renewable	Relevant	45.6	Lower	Currently Xylem does not separately track its non-renewable groundwater withdrawal data at the corporate level. Groundwater volume is included in total withdrawals, and specific groundwater usage is clarified by individual sites. Xylem has three sites that use groundwater: Montecchio, Italy, Lubbock, TX USA, and Buenos Aires. Our Montecchio, Italy and Lubbock, TX facilities both reduced their groundwater usage, 29% and 10% respectively, and Buenos Aires increased slightly by 6% from 2016 to 2017. overall, we reduced our overall water withdrawal by 29% from 2016 to 2017. We consider this comparison “Lower” as opposed to “Much Lower” because the decrease is less than 50%. We anticipate further reductions in non-renewable groundwater consumption due to our expectations of increased efficiencies.
Produced water	Relevant but volume unknown	<Not Applicable>	<Not Applicable>	Currently Xylem does not track its produced water data by source at the corporate level.
Third party sources	Relevant	357	Higher	Most Xylem facilities procure or receive water from a municipal water treatment authority, and we include water from municipal water systems in this category. The volume for 2017 increased 24.4%, mostly due to the acquisitions of Sensus, Visenti, and Tideland in 2016. We anticipate future reductions in withdrawal from third-party sources due to our expectation of ever-increased efficiencies.

W1.2j

(W1.2j) What proportion of your total water use do you recycle or reuse?

	% recycled and reused	Comparison with previous reporting year	Please explain
Row 1	2-10	Lower	The amount of water recycled/reused at Xylem facilities represented 3.8% of the total amount of withdrawn water. In comparison, the percentage recycled or reused decreased from 5.3% in 2016 to 3.8% in 2017 due to decreased water consumption from top water users and newly acquired entities that are not yet equipped with recycling/reuse processes.

W1.4

(W1.4) Do you engage with your value chain on water-related issues?

Yes, our suppliers

Yes, our customers or other value chain partners

W1.4a

(W1.4a) What proportion of suppliers do you request to report on their water use, risks and/or management information and what proportion of your procurement spend does this represent?

Row 1

% of suppliers by number

1-25%

% of total procurement spend

1-25

Rationale for this coverage

Xylem assessed 314 tier 1 suppliers in the last three years which makes up roughly 3.5% of total suppliers, and 20% of total procurement spend.

Impact of the engagement and measures of success

In 2017, Xylem signed the CEO Water Mandate, committing to the six core elements of water stewardship, one of which is supply chain and watershed management. To decrease water use across our supply chain, Xylem conducted 12 sustainability audits for suppliers in water-stressed basins. Xylem completed supply chain audits with suppliers located in countries where human and labor rights issues could be a concern and located in water-stressed areas. The audit questionnaires focused on the following areas: environment, health and safety practices, including water-related risk management; human rights and labor rights; conflict minerals, business continuity planning and facility security. The audit results are used for future procurement decisions.

Comment

W1.4b

(W1.4b) Provide details of any other water-related supplier engagement activity.

Type of engagement
Innovation & collaboration

Details of engagement
Encourage/incentivize innovation to reduce water impacts in products and services

% of suppliers by number
1-25

% of total procurement spend
1-25

Rationale for the coverage of your engagement
Xylem plans to offer a water footprint calculation tool to critical suppliers once an online version is developed to identify ways to limit water consumption. Our critical suppliers represent roughly 19% of total procurement spend, and 3.5% of suppliers. Additionally, Xylem encourages all suppliers to be a part of our green belt training program, which is offered at Xylem's expense, to help suppliers learn about how they can implement environmentally friendly practices alongside Xylem colleagues. The only prerequisite for joining the program is to identify one project that provides joint benefits to both Xylem and the supplier.

Impact of the engagement and measures of success
The water footprint calculation tool is forthcoming, and while the beneficial outcomes have yet to be realized, there is much potential. With the use of this tool, suppliers will be able to reduce their risk, thereby reducing their customer's risk (including Xylem). The true success of this tool would be the reduction of water use, in general as well as in water-stressed regions.

Comment

W1.4c

(W1.4c) What is your organization's rationale and strategy for prioritizing engagements with customers or other partners in its value chain?

Xylem works with customers daily to implement cutting-edge technology solutions to solve water challenges (sustainability report pages 29-37). Xylem gets actively involved in discussion and sharing thought leadership and action ideas with stakeholders critical to solving water challenges--customers, community leaders, industry associations, universities, NGOs, and more--partnering with leading organizations and events.

Here's a sampling of 2017 engagements: At the Global Water Summit 2017, Xylem's CEO participated in the CEO Forum to discuss global water issues and Xylem's Director of Systems Intelligence Center of Excellence participated in the digital strategy panel discussion. Xylem sponsored SMART CITIES NYC '17. Xylem participated in the American Water Works Association's and the Water Environment Federation's annual conferences, convening a *Smart Water Leaders Luncheon* for customers and industry stakeholders. Working with the Smart Cities Council, Xylem provided in-kind donations to the 5 winning cities of the White House-sponsored Smart Cities Council Readiness Challenge Grant. Xylem donated a fully equipped FlexNet® communications network to each of the cities and conducted readiness workshops in each city. At World Water Week 2017, Xylem co-convened a forum entitled: "Data Drought: An Assessment of Global Hydrological Monitoring Systems" with Duke University, the Aspen Institute and the University of Oxford. Xylem is helping communities prepare for water-related challenges and disasters, in its publication, *Building Resilience: Creating Strong and Sustainable Cities and Communities.* Xylem joined MIT's Industrial Liaison Program to advance open innovation. Xylem's Watermark program works with 6 nonprofit partners who provide access to clean water, sanitation solutions, education and disaster relief around the world. We engage Xylem employees to volunteer their time and money to support water solutions in their communities.

W2. Business impacts

W2.1

(W2.1) Has your organization experienced any detrimental water-related impacts?

No

W2.2

(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?

No

W3. Procedures

W3.3

(W3.3) Does your organization undertake a water-related risk assessment?

Yes, water-related risks are assessed

W3.3a

(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.

Direct operations

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of other company-wide risk assessment system

Frequency of assessment

Annually

How far into the future are risks considered?

6 to 10 years

Type of tools and methods used

Tools on the market
Enterprise Risk Management

Tools and methods used

WBCSD Global Water Tool
WRI Aqueduct
COSO Enterprise Risk Management Framework

Comment

Our risks are managed by an ERM Program and framework with five key components: 1) Risk Appetite and Strategy, 2) Governance and Organization, 3) Policies and Procedures, 4) Risk Management Process, and 5) Monitoring and Reporting. In 2016, we used the WBCSD Global Water Tool and starting in 2017 we use the WRI Aqueduct Water Risk Atlas Tools to conduct water sensitivity analyses and communicate water use and risks relative to water availability at 270 (over 90%) of Xylem facilities.

Supply chain

Coverage
Full

Risk assessment procedure
Water risks are assessed as a standalone issue

Frequency of assessment
Not defined

How far into the future are risks considered?
2 to 5 years

Type of tools and methods used
Other

Tools and methods used
Internal company methods

Comment
Sustainability management, such as water sensitivity and efficiency, is integrated into our supplier risk assessment process. While transportation is our largest environmental supply chain impact, we realize suppliers can improve their water management. Our green belt training program offers suppliers free environmental training. We also plan to offer a water footprint calculation tool once an online version is developed, to help critical suppliers identify ways to limit water consumption.

Other stages of the value chain

Coverage
Full

Risk assessment procedure
Water risks are assessed in an environmental risk assessment

Frequency of assessment
Annually

How far into the future are risks considered?
6 to 10 years

Type of tools and methods used
International methodologies

Tools and methods used
Environmental Impact Assessment
Life Cycle Assessment
IPCC Climate Change Projections

Comment
As a company focused on solving the world's water problems, water sensitivity analysis, across our value chain, is key to our success. We provide customers solutions to critical water issues, such as freshwater availability and wastewater treatment. As such, our business lines are affected by water issues around the world. To mitigate water risk and maximize opportunity across the value chain, we evaluate water use throughout a product's lifecycle through Life-Cycle Assessments.

W3.3b

(W3.3b) Which of the following contextual issues are considered in your organization's water-related risk assessments?

	Relevance & inclusion	Please explain
Water availability at a basin/catchment level	Relevant, always included	As a company focused on solving the world's water problems, we assess water withdrawals, discharges and water stress in our risk management procedures. Xylem tracks facility water usage (withdrawal, discharge, consumption, reuse), and evaluates it at the corporate level as part of our overall sustainability strategy and Enterprise Risk Management (ERM) process. Xylem uses a water footprint tool developed by the World Resource Institute called the "Aqueduct Tool," to conduct sensitivity analysis to: a) determine how water stressed the area is where each Xylem facility is located, and b) provide specific, drilled down analysis of the water quality and resilience risks at each Xylem facility including characteristics such as regulatory landscape, drought, flood, upstream and groundwater risks among others. Xylem then uses the Aqueduct analysis along with actual water consumption at each site to set goals for reduction of water consumption and inform a risk-based approach to the allocation of resources for water consumption projects consistent with our water intensity reduction goal of 25% by 2019. Finally, in 2017 Xylem signed the UN Global Compact's CEO Water Mandate to illustrate our commitment to water stewardship.
Water quality at a basin/catchment level	Relevant, not included	Xylem has not yet developed full scale water risk management measures of quality parameters; however, we are looking to assess and effectively manage water risks through appropriate processes and systems. Xylem's Sustainability Steering Committee (XSSC) is working to establish a formal water management program, in coordination with its Environmental, Health, Safety & Sustainability (EHS & S) organization. The Committee plans to complete this water management program by the end of 2019. The Business Continuity Plans (BCPs) developed at all Xylem Manufacturing Sites and Sales Companies include a Threat Analysis to identify the potential disruptions that could affect these facilities. An analysis of water-related risks will be included in the local BCPs as part of the Threat Analysis, focusing on the following areas for the Xylem facilities located in water-stressed basins: Withdrawal and discharge risks related to water availability and water quality; Regulatory changes (withdrawal restrictions, discharge restrictions); and Pricing changes (water tariffs, discharge tariffs).
Stakeholder conflicts concerning water resources at a basin/catchment level	Relevant, always included	Systematic tracking and monitoring of existing stakeholder conflicts (including those regarding water) are part of Xylem's EHS & S Policies Reporting and Resolving EHS & S Incidents and Potential Hazards protocol. Through the Policy, every Xylem facility has procedures in place to inform management of significant environmental issues, including stakeholder conflicts regarding water.
Implications of water on your key commodities/raw materials	Relevant, sometimes included	Risks related to operational and external factors include the inability of suppliers to meet delivery requirements. Our business relies on third-party suppliers, contract manufacturing and commodity markets to secure raw materials, parts and components used in our products. We are exposed to the availability of these materials, which may be subject to curtailment or change due to, among other things, interruptions in production by suppliers and weather emergencies. Any delay in our suppliers' abilities to provide us with necessary materials could impair our ability to deliver products to our customers and, accordingly, could have a material adverse effect on our business, financial condition or results of operations. In 2017, Xylem established a Water Footprint calculation tool to help critical suppliers identify ways to limit water consumption, prioritizing those located in water-stressed basins. In addition, environmental impacts including water use are assessed through a detailed Life-Cycle Assessment of selected Xylem products. Xylem has a formalized process in place to identify & address sustainability risks in the supply chain. All new strategic or critical suppliers are assessed prior to Xylem contracting with them for financial, EHS & S risks. The selection criteria for the audit program was based on specific sustainability criteria, including whether suppliers are located in water-stressed basins.
Water-related regulatory frameworks	Relevant, always included	Xylem considers regulatory changes under operational risk and compliance risk to the organization. In 2016, Xylem began using the WRI Aqueduct Tool to conduct sensitivity analysis in order to provide specific, drilled down analysis of the water quality and resilience risks at each Xylem facility including characteristics such as regulatory landscape (such as water quality or groundwater recharge regulations), drought, flood, upstream and groundwater risks among others. The Xylem EHS & S Management System and Xylem EHS & S policies (Xylem policy 21-300.02 Legal and Other Requirements, and Xylem policy 21-700.01 Tracking Regulations and Policies) require all Xylem facilities to track legal and other EHS & S requirements that apply, including all regulatory requirements regarding water and water use.
Status of ecosystems and habitats	Relevant, sometimes included	Our Water Footprint assessments have established that the Xylem has 39 facilities linked to a biodiversity hotspot through their respective water basins, however none of the locations directly impact the nearby ecosystem/habitat due to the limited water use in their operations. As a precautionary measure, a number of Xylem sites have built biodiversity improvements into their business-related actions.
Access to fully-functioning, safely managed WASH services for all employees	Relevant, always included	Xylem provides fully functioning access to water supply and adequate sanitation and hygiene (WASH) for all its workers. We respect our employees' rights to a safe environment by ensuring access to clean toilet facilities and drinking water among other criteria. Xylem's Corporate Health Program (#21-400.34) ensures the safety of employees and includes a corporate hygiene policy. In addition, Xylem's Corporate Drinking Water Management Policy (#21-400.14) ensures that all employees have a safe, clean and adequate supply of drinking water.
Other contextual issues, please specify	Not relevant, explanation provided	Xylem cannot identify any other contextual issues that have not been stated above that are factored into its organization's water risk assessment.

W3.3c

(W3.3c) Which of the following stakeholders are considered in your organization's water-related risk assessments?

	Relevance & inclusion	Please explain
Customers	Relevant, always included	Xylem's customers are vital to Xylem's success as a business. We are at a financial risk if our customers do not buy our products that deliver water solutions. Therefore, Xylem is committed to understanding customer needs and delivering water technologies that are not only efficient in terms of both energy and water usage, but also designed to assist our customers as they pursue their own sustainability strategies. Through Xylem's recent materiality assessment, we learned that product and business model innovation is a top priority to meet customer needs. Additionally, our full Life Cycle Assessments form the basis for our Environmental Product Declarations (EPDs) for 13 Flygt products, which allow our customers to see the effects that our products have on the water systems and the environment. Finally, we conduct voice-of-customer interviews and customer satisfaction surveys to learn more about their needs and their perceptions of our company and our products. In 2016, we rolled out the Net Promoter Score (NPS) tool as an additional means of measuring customer satisfaction, and we continue to employ that tool today. Xylem annually completes a number of Customer Supplier Sustainability Questionnaires and Surveys that include providing information on Xylem's water-related risk assessments.
Employees	Relevant, always included	Our business is at financial, operational and reputational risk if our employees are not safe, informed, and heard. We are at risk if our employees do not follow our Code of Conduct, EHS & S, ethics or anti-corruption protocol. To reduce risks on both ends, Xylem has many mechanisms in place in which employees can - and do - proactively identify and report potential risks. The Enterprise Risk Management Program (ERM) seeks employees' periodic input from a bottom-up perspective on existing and emerging risks, including water-related risks. Executives who are responsible for silos of risk are clearly delineated ("Risk Owners") and employees can always proactively discuss risks with these business leaders. In addition, we use a top-down risk assessment as a way for senior leaders to raise risk concerns to their peers and the ERM functional lead for reporting to the Enterprise Risk Committee and potentially the Board of Directors as appropriate. Xylem's ERM Program relies on structured feedback from employees at all levels of the organization & across all businesses and functions. These inputs come via the annual Risk Assessment process as well as periodic monitoring interviews and the discussions are grounded in a structured framework that is used with all Risk Owners to ensure consistency and quality of information. In an April 2018 update on the ERM Program provided to our Senior Leadership Team, this interview framework was reviewed and the Senior Leaders' feedback on potential improvements to it will be incorporated moving forward, including the use of "what if" analysis and scenario planning, as well as including the interview as part of standard work for integration of acquisitions. Furthermore, in 2017, Xylem included employees in our robust materiality assessment.
Investors	Relevant, always included	Xylem performs annual Risk Assessments as part of good governance to address fiduciary responsibility to our investors. As a global water technology provider, sound management of water-related issues, from both a risk and opportunity perspective, is foundational to our business success. In addition, investors were included in our recent materiality assessment to better understand their needs beyond fiduciary duty.
Local communities	Relevant, always included	In 2017, Xylem conducted a robust materiality assessment that included external stakeholder voices such as local communities. Xylem's understanding of local communities' needs, as well as understanding our potential impacts on the communities near our facilities, is an essential aspect of our risk assessment processes to reduce reputational and operational risk. To determine our impact on our local communities, specifically those in water-stressed or water-scarce areas, Xylem used The Global Water Tool, developed by the World Business Council for Sustainable Development. This tool was used at manufacturing sites, sales and service facilities and large office-only facilities. Starting in 2017, Xylem began using the WRI Aqueduct Tool to conduct sensitivity analysis to: a) determine how water stressed the area is where each Xylem facility is located, and b) provide specific, drilled down analysis of the water quality and resilience risks at each Xylem facility including characteristics such as regulatory landscape, drought, flood, upstream and groundwater risks among others. We have identified Xylem has 3 facilities located in arid and low water use areas, 23 facilities located in high risk areas, and 50 facilities located in 'extremely high risk' areas. This information informs Xylem's regular local operations outreach, and Watermark field assessments. Xylem's Watermark program partners with communities in need around the world to provide and protect safe water resources and to educate people about water issues.
NGOs	Relevant, always included	Similar to local communities, Xylem seeks to understand and consider NGO needs and concerns in our risk assessments to reduce reputational risk. As a water technology provider, our reputation with regard to water-related issues is paramount to our success. Xylem included NGOs in our recent materiality assessment, to hear their concerns regarding our business impacts. Through the assessment we further understood NGO's desires for Xylem to inspire and engage people, organizations, and communities around global water resiliency by sharing our knowledge and expertise. Through Xylem Watermark, Xylem works with best-in-class nonprofits to address the full spectrum of water challenges by providing financial support, water technology, and sanitation and hygiene education. Xylem Watermark delivers sustainable solutions, combining community-based interventions with regular monitoring to ensure projects meet local water needs. In addition to direct local service, Xylem Watermark supports six global nonprofit partners to provide sustainable community-based interventions and solutions to water challenges. Since 2008, Xylem Watermark has made significant investments through corporate grants, in-kind product donations and more than $3 million in employee contributions, including corporate matching. We are currently reviewing our societal goals to further enhance our positive impacts. Xylem currently contributes to the following collaborative initiatives: International Water Association (IWA), Water Environment Foundation, Stockholm International Water Institute, Water for People, Planet Water, United Nations Global Compact (UNGC) and the UNGC Nordic Network. Through Xylem Watermark (http://xylemwatermark.com) Xylem also works with the following NGOs: Planet Water, EarthEcho, Water for People, Mercy Corps, China Women's Development Foundation and Avina. In addition, Xylem became a signatory to the UN CEO Water Mandate in 2017.
Other water users at a basin/catchment level	Relevant, not included	While Xylem is committed to its local communities, we have not yet engaged with other water users at a local level when conducting its water risk assessments. Xylem's Sustainability Steering Committee (XSSC) is working to establish a formal water management program, which may include this type of engagement in 2019.
Regulators	Relevant, always included	Xylem considers regulatory changes under operational risk and compliance risk to the organization. In 2016, Xylem began using the WRI Aqueduct Tool to conduct sensitivity analysis in order to provide specific, drilled down analysis of the water quality and resilience risks at each Xylem facility including characteristics such as regulatory landscape (such as water quality or groundwater recharge regulations), drought, flood, upstream and groundwater risks among others. The Xylem EHS & S Management System and Xylem EHS & S policies (Xylem policy 21-300.02 Legal and Other Requirements, and Xylem policy 21-700.01 Tracking Regulations and Policies) require all Xylem facilities to track the legal and other EHS & S requirements that apply to them including all regulatory requirements regarding water and water use.

	Relevance & inclusion	Please explain
River basin management authorities	Relevant, not included	Xylem's operations draw largely from municipal water authorities and not directly from river basins, therefore Xylem has not factored river basin management authorities into our water risk assessments at this time. Our Emmaboda, Sweden facility is the only location that uses water from the nearby river and does so in full compliance with the local regulatory requirements. If at any time Xylem facilities do begin to pull directly from river basins, we will include this group in our stakeholder engagement and risk assessment.
Statutory special interest groups at a local level	Not relevant, included	Xylem is not aware of any statutory special interest groups at a local level. If at any time Xylem identifies statutory special interest groups at a local level, we will include this group in our stakeholder engagement and risk assessment.
Suppliers	Relevant, always included	Risks related to operational and external factors include the inability of suppliers to meet delivery requirements, and supplier compliance violations. Our business relies on third-party suppliers, contract manufacturing and commodity markets to secure raw materials, parts and components used in our products. Xylem has a formalized process in place to identify and address sustainability risks in the supply chain. All new strategic or critical suppliers are assessed prior to Xylem contracting with them. The assessment tool includes financial, environmental, health, safety, and sustainability risks for review. For existing suppliers, the supplier evaluation process also includes targeted site audits. The questionnaire is sent out annually to all strategic suppliers. To ensure our suppliers are not discharging into impaired waters, Xylem tracks EPA violation indicators for all suppliers regularly. Additionally, Xylem conducts sustainability audits for suppliers located in water-stressed areas. In total we have audited 18 thus far in 2016 and 2017. These audits focus on the following areas: environment, health and safety practices, including water-related risk management; human rights and labor rights; conflict minerals, business continuity planning and facility security.
Water utilities at a local level	Relevant, not included	Other than where utilities/suppliers might overlap as customers or potential customers, Xylem has not yet engaged with these parties when conducting its water risk assessments. Xylem's Sustainability Steering Committee is working to establish a formal water management program, which may include this type of engagement in 2019.
Other stakeholder, please specify	Not relevant, explanation provided	Xylem cannot identify any further stakeholders that are considered in its water risk assessments, other than those listed above.

W3.3d

(W3.3d) Describe your organization’s process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.

Xylem’s vision and strategic plan drive its Enterprise Risk Management (ERM) function. Xylem’s risks are managed by a comprehensive ERM Program that has a framework consisting of five key components: 1) Risk Appetite and Strategy, 2) Governance and Organization, 3) Policies and Procedures, 4) Risk Management Process, and 5) Monitoring & Reporting. This framework directly supports the ERM Program’s objective of establishing “practical and sustainable policies, procedures and processes that help the Company manage and monitor risk effectively.” In 2016, We used the WBCSD Global Water Tool to assess and communicate water use and risks relative to water availability at 270 Xylem facilities (over 90% of our facilities). These facilities include locations that would be considered production plants, but also small sales/service/repair locations, as well as office locations. This analysis indicated that 114 facilities are located in areas with less than 1700 m3/(person*year) of water available. Xylem also launched an energy-saving program called Energy Treasure Hunts, consisting in cross-functional teams of Xylem employees identifying possible day-to-day energy-efficiency improvements. In 2017, the Energy Treasure Hunt program was extended to include water-saving potentialities in specific Xylem facilities. Also in 2017, we began using the WRI Aqueduct tool to identify Xylem facilities located in water-stressed areas. We considered the facilities that were ranked 'high risk' and above for Physical Risk Quality, Physical Risk Quantity and Baseline Water Stress, with the time frame up to 'Water Stress in Year 2020'. Eight facilities among the top 20 water users and, as well as those classified as high risk (or above) were prioritized for the implementation of recycling solutions using the Xylem Hydroinfinity solution. Further, Xylem became a signatory to the UN CEO Water Mandate in 2017, committing to advancing water stewardship across our value chain.

W4. Risks and opportunities

W4.1

(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes, only within our direct operations

W4.1a

(W4.1a) How does your organization define substantive financial or strategic impact on your business?

Definition of substantive financial or strategic impact and whether the definition applies to direct operations, or supply chain, or both:

Xylem defines a substantive financial impact as anything within our direct operations, supply chain, or value chain that stands to impact 4% or more of Xylem's overall annual revenue.

The measure(s), metric(s) or indicator(s) used to identify substantive change, and threshold of change which indicates substantive change:

Substantive change is identified through our comprehensive Enterprise Risk Management (ERM) Program that has a corporate framework consisting of five key components: (1) Risk Appetite and Strategy, (2) Governance and Organization, (3) Policies and Procedures, (4) Risk Management Process, and (5) Monitoring and Reporting. Our Risk Management Process (4) includes a semi-annual Enterprise Risk Assessment, in which we identify, measure and categorize strategic, operational, financial and reputational risks in the Company and business segments that could impact our ability to meet our strategic objectives and impede our business resilience. Each risk is assigned a ranking of either primary or secondary. Risks are tracked on a Monitoring Dashboard that cascades primary and secondary risks and specifies who owns each risk. The dashboard denotes primary risks as high, moderate or minimal. Primary risks are updated quarterly to add new risks and determine how each primary risk's residual risk has changed (increase, decrease or no change).

Every Xylem site is also responsible for developing and implementing a site-specific Business Continuity Plan, including as elements Crisis Management Plans and IT Disaster Recovery Plans. This process requires sites to evaluate change on a frequent basis and plan for situations that could have a substantive impact to our business. An analysis of water-related risks is included in the local Business Continuity Plans for all Xylem facilities. This proactive procedure helps Xylem to mitigate the risks posed by water, including water scarcity, flood occurrence, biodiversity, regulatory uncertainty and declining water quality.

At least one example of substantive impact:

A substantive impact within our direct operations would be any disruption to a facility that contributes 4% or more to Xylem's revenue (critical facilities). A substantive impact in our supply chain could be a sole-source supplier that can no longer make a critical part for Xylem's products, reducing our product sales by 4% or more.

W4.1b

(W4.1b) What is the total number of facilities exposed to water risks with the potential to have a substantive financial or strategic impact on your business, and what proportion of your company-wide facilities does this represent?

	Total number of facilities exposed to water risk	% company-wide facilities this represents	Comment
Row 1	2	Less than 1%	We use the WRI Aqueduct Tool to assess and communicate water use and risks relative to water availability at 270 Xylem facilities (over 90% of our facilities). Xylem has identified 3 facilities located in 'arid and low water use' areas, 23 facilities located in 'high risk' areas, and 50 facilities located in 'extremely high risk' areas. Of these, two facilities have the potential to have a substantive financial impact on Xylem's business. The tools consider the following attributes: physical risk quality, physical risk quantity, baseline water stress, regulatory and reputational risk, inter-annual and seasonal availability, flood occurrence, drought severity, upstream storage, groundwater stress, return flow ratio, upstream protected land, media coverage, access to water, and threatened amphibians. The two facilities that could have substantive impact on Xylem's business are: Shenyang, China, and Sundbyberg, Sweden. Both facilities are considered of critical importance to Xylem's business because they contribute to 4% or more of Xylem's revenue, and a disruption at either facility (including a water-related disruption), would cause a substantive impact on our business. To reduce potential water-related risks, we proactively manage these sites to identify and implement solutions to reduce their water use, including installing Hydroinfinity Clean Water Systems and closed loop waste water treatment systems. These initiatives not only improve our cost efficiencies and insulate from potential future risk, but also build our reputation as a water technology company and provide an internal testing ground for our products and solutions.

W4.1c

(W4.1c) By river basin, what is the number and proportion of facilities exposed to water risks that could have a substantive impact on your business, and what is the potential business impact associated with those facilities?

Country/Region
China

River basin
Liao He

Number of facilities exposed to water risk
1

% company-wide facilities this represents
Less than 1%

Production value for the metals & mining activities associated with these facilities
<Not Applicable>

% company's annual electricity generation that could be affected by these facilities
<Not Applicable>

% company's global oil & gas production volume that could be affected by these facilities
<Not Applicable>

% company's total global revenue that could be affected
1-25

Comment
This facility located in Shenyang, China is considered a "critical" Xylem site since it contributes to 4% or more of Xylem's overall revenue.

Country/Region
Sweden

River basin
Other, please specify (Baltic Drainage Basin (via Mälaren lake))

Number of facilities exposed to water risk
1

% company-wide facilities this represents
Less than 1%

Production value for the metals & mining activities associated with these facilities
<Not Applicable>

% company's annual electricity generation that could be affected by these facilities
<Not Applicable>

% company's global oil & gas production volume that could be affected by these facilities
<Not Applicable>

% company's total global revenue that could be affected
1-25

Comment
This facility located in Sundbyberg, Sweden is considered a "critical" Xylem site since it contributes to 4% or more of Xylem's overall revenue.

W4.2

(W4.2) Provide details of identified risks in your direct operations with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Country/Region
China

River basin
Liao He

Type of risk
Physical

Primary risk driver
Increased water scarcity

Primary potential impact
Reduction or disruption in production capacity

Company-specific description
In addition to our comprehensive Enterprise Risk Management (ERM) Program, Xylem uses the WRI Water Aqueduct tool to analyze which sites are at risk of a host of environmental factors that would lead to water scarcity, including physical risk quality, physical risk quantity, baseline water stress, regulatory and reputational risk, inter-annual and seasonal availability, flood occurrence, drought severity, upstream storage, groundwater stress, return flow ratio, upstream protected land, media coverage, access to water, and threatened amphibians. Considering all the factors, Xylem's site in Shenyang, China is found to be in an area of extreme water scarcity. Even though Xylem is not dependent on large quantities of freshwater for production, should Shenyang's water cease as a source for our site, Xylem's production capacity may be negatively affected and cause a substantive financial impact on our business.

Timeframe
More than 6 years

Magnitude of potential impact
Medium-high

Likelihood
About as likely as not

Potential financial impact
188000000

Explanation of financial impact
This facility located in Shenyang, China is considered a "critical" Xylem site since it contributes to 4% or more of Xylem's overall revenue. Xylem's overall revenue in 2017 was 4.7 billion, therefore 4% would be 188 million.

Primary response to risk
Adopt water efficiency, water re-use, recycling and conservation practices (See speech bubble)

Install water reduction and efficiency systems

Description of response
To actively manage our potential risk from operating in areas of extreme water scarcity, Xylem proactively manages potential water-related risks at our facilities by equipping our facilities with Xylem technologies. We installed Xylem products such as Steady pumps, Lowara pumps, Sanitaire aerator, and a Wedeco ozone system. The water coming out of the treatment facility is now being used to fill in the test tanks (before the upgrade, the water quality was not good enough), for landscaping and to refill the sprinkler network at our Shenyang site.

Cost of response
241760

Explanation of cost of response
The cost is an estimate, as these projects have yet to begin, however, the cost of installing a HydroInfinity Clean Water System at the Montecchio site was $241,760. The actual cost would likely be lower due to the smaller size of the Shenyang facility. The estimated payback period for a project of this scale is 2-9 years.

Country/Region
Sweden

River basin
Other, please specify (Baltic Drainage Basin (via Mälaren lake))

Type of risk
Physical

Primary risk driver
Increased water scarcity

Primary potential impact
Reduction or disruption in production capacity

Company-specific description
In addition to our comprehensive Enterprise Risk Management (ERM) Program, Xylem uses the WRI Water Aqueduct tool to analyze which sites are at risk of a host of environmental factors that would lead to water scarcity, including physical risk quality, physical risk quantity, baseline water stress, regulatory and reputational risk, inter-annual and seasonal availability, flood occurrence, drought severity, upstream storage, groundwater stress, return flow ratio, upstream protected land, media coverage, access to water, and threatened amphibians. Considering all the factors, Xylem's site Sundbyberg, Sweden is found to be in an area of extreme water scarcity. Even though Xylem is not dependent on large quantities of freshwater for production, should Sundbyberg's water cease as a source for our site, Xylem's production capacity may be negatively affected and cause a substantive financial impact on our business.

Timeframe
More than 6 years

Magnitude of potential impact
Medium-high

Likelihood
About as likely as not

Potential financial impact
188000000

Explanation of financial impact
This facility located in Sundbyberg, Sweden is considered a "critical" Xylem site since it contributes to 4% or more of Xylem's overall revenue. Xylem's overall revenue in 2017 was 4.7 billion, therefore 4% would be 188 million.

Primary response to risk
Adopt water efficiency, water re-use, recycling and conservation practices (See speech bubble)

Install water reduction and efficiency systems

Description of response
To actively manage our potential risk from operating in areas of extreme water scarcity, Xylem proactively manages potential water-related risks at our facilities by equipping our facilities with Xylem technologies. There is an approved project to install 8 Hydroinfinity units at our Sundbyberg site to treat the water from the 250 m3 test tank and create a closed loop once laboratory renovations have been completed.

Cost of response
241760

Explanation of cost of response
The cost is an estimate, as these projects have yet to begin, however the cost of installing a HydroInfinity Clean Water System at the Montecchio site was $241,760. The actual cost would likely be lower due to the smaller size of the Sundbyberg facility. The estimated payback period for a project of this scale is 2-9 years.

W4.2c

(W4.2c) Why does your organization not consider itself exposed to water risks in its value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact?

	Primary reason	Please explain
Row 1	Risks exist, but no substantive impact anticipated	Following a review of our operations, supply chain disruptions resulting from the impacts of water risks were not considered to have a direct impact on Xylem. However, we are aware that significant disruptions to global supply chains could occur. As part of a proactive strategy to avoid these risks and reduce impacts we are strengthening our relationships through ongoing supplier monitoring including a new risk classification of strategic suppliers, audits, capacity building and incentives. However, should any of these risks and uncertainties develop into actual events, our business, financial condition or results of operations could be materially and adversely affected. Risks related to operational and external factors include the inability of suppliers to meet delivery requirements. Our business relies on third-party suppliers, contract manufacturing and commodity markets to secure raw materials, parts and components used in our products. We are exposed to the availability of these materials, which may be subject to curtailment or change due to, among other things, interruptions in production by suppliers and weather emergencies. Any delay in our suppliers' abilities to provide us with necessary materials could impair our ability to deliver products to our customers and, accordingly, could have a material adverse effect on our business, financial condition or results of operations.

W4.3

(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes, we have identified opportunities, and some/all are being realized

W4.3a

(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.

Type of opportunity

Products and services

Primary water-related opportunity

Increased sales of existing products/services

Company-specific description & strategy to realize opportunity

2017 witnessed some of the most devastating natural weather events on record, including Hurricanes Harvey, Irma and Maria, and severe flooding in India, Nepal and Bangladesh. Natural disasters are a severe pain point for many of Xylem's customers and they exact a huge economic, social and environmental toll on individuals and communities. According to the IPCC Fifth Assessment Report, climate change may contribute to increasing frequency and severity of natural disaster events, with many of these involving water, whether through flooding or drought. As a water technology provider, many of our products and solutions are uniquely suited to address the impacts of natural disasters. Disaster-related water issues, such as flooding and access to fresh water may contribute to increased sales for relevant Xylem solution. For instance, Xylem's pump systems and disinfection systems may provide relief from flooding, while Xylem drinking water and desalination systems may provide needed freshwater during emergencies.

Estimated timeframe for realization

1 to 3 years

Magnitude of potential financial impact

Medium-high

Potential financial impact

15000000

Explanation of financial impact

Across the world, increasing frequency and intensity of disasters have led to increasing response costs. The 2017 Atlantic hurricane season was the costliest on record and included Hurricane Harvey, which produced the highest ever rainfall by a tropical cyclone in the U.S. These increasing disasters may lead to increased sales of Xylem products and services. $15 million is a conservative estimate based on the work Xylem won in 2017 that relates specifically to water and climate resiliency. For example, with the help of six Xylem Flygt 280-horsepower submersible pumps, the Sims Bayou, near Missouri City, Texas, did not overflow its main channel during Harvey, escaping some of the worst flooding seen elsewhere in Houston. The Flygt pumps, and a computational fluid dynamics study performed by Xylem engineers, were part of the Sims Bayou Federal Project led by FEMA in response to earlier flooding. According to the IPCC AR-5, tropical cyclone rainfall rates will likely increase 10-15%, while intensities will increase 1-10% under a 2-degree warming scenario. Heightened responses to potential flooding may lead to increased sales of Flygt pumps and auxiliary services.

W5. Facility-level water accounting

W5.1

(W5.1) For each facility referenced in W4.1c, provide coordinates, total water accounting data and comparisons with the previous reporting year.

Facility reference number
Facility 1

Facility name (optional)
Shenyang

Country/Region
China

River basin
Liao He

Latitude
41.79222

Longitude
123.43278

Primary power generation source for your electricity generation at this facility
<Not Applicable>

Oil & gas sector business division
<Not Applicable>

Total water withdrawals at this facility (megaliters/year)
17.29

Comparison of withdrawals with previous reporting year
Much higher

Total water discharges at this facility (megaliters/year)
12.88

Comparison of discharges with previous reporting year
Much higher

Total water consumption at this facility (megaliters/year)
4.41

Comparison of consumption with previous reporting year
Higher

Please explain
Total water withdrawal and discharge at the Shenyang site have doubled, and consumption nearly doubled in comparison to last year. This was due to the construction of a new building at the site and increased square footage and production. Therefore, the increase in water consumption is a direct result of the increased capacity. We consider withdrawal and discharges to be "Much higher" because the increase was more than 50%, and consider consumption "Higher" because the increase was under 50%.

Facility reference number
Facility 2

Facility name (optional)
Sundbyberg

Country/Region
Sweden

River basin
Other, please specify (Baltic Drainage Basin (via Mälaren lake))

Latitude
59.36128

Longitude
17.97114

Primary power generation source for your electricity generation at this facility
<Not Applicable>

Oil & gas sector business division

<Not Applicable>

Total water withdrawals at this facility (megaliters/year)
7.67

Comparison of withdrawals with previous reporting year
Higher

Total water discharges at this facility (megaliters/year)
0

Comparison of discharges with previous reporting year
About the same

Total water consumption at this facility (megaliters/year)
7.67

Comparison of consumption with previous reporting year
Higher

Please explain
Total water withdrawals and consumption at the Sundbyberg site increased slightly from 6.42 to 7.67 megaliters. Currently, Xylem does not have discharge data at the Sundbyberg site. We consider this change to be "Higher" as opposed to "Much higher" because the increase was less than 50%.

W5.1a

(W5.1a) For each facility referenced in W5.1, provide withdrawal data by water source.

Facility reference number
Facility 1

Facility name
Shenyang, China

Fresh surface water, including rainwater, water from wetlands, rivers and lakes
0

Brackish surface water/seawater
0

Groundwater - renewable
0

Groundwater - non-renewable
0

Produced water
0

Third party sources
17.29

Comment
Xylem's Shenyang site withdraws water from municipal water treatment authority.

Facility reference number
Facility 2

Facility name
Sundbyberg, Sweden

Fresh surface water, including rainwater, water from wetlands, rivers and lakes
0

Brackish surface water/seawater
0

Groundwater - renewable
0

Groundwater - non-renewable
0

Produced water
0

Third party sources
7.67

Comment
Xylem's Sundbyberg site withdraws water from municipal water treatment authority.

W5.1b

(W5.1b) For each facility referenced in W5.1, provide discharge data by destination.

Facility reference number
Facility 1

Facility name
Shenyang, China

Fresh surface water
0

Brackish surface water/Seawater
0

Groundwater
0

Third party destinations
12.88

Comment
At this time Xylem does not track our water discharge data by destination at the corporate level; however, Xylem estimates that most of our water is discharged to a municipal system that has treatment plant(s). This estimate is assuming that the water from Shenyang's site is discharged to a municipal system treatment plant.

Facility reference number
Facility 2

Facility name
Sundbyberg, Sweden

Fresh surface water
0

Brackish surface water/Seawater
0

Groundwater
0

Third party destinations
0

Comment
At this time Xylem does not track our water discharge data by destination at the corporate level; however, Xylem estimates that most of our water is discharged to a municipal system that has treatment plant(s).

W5.1c

(W5.1c) For each facility referenced in W5.1, provide the proportion of your total water use that is recycled or reused, and give the comparison with the previous reporting year.

Facility reference number
Facility 1

Facility name
Shenyang, China

% recycled or reused
2-10%

Comparison with previous reporting year
Much higher

Please explain
The amount of water recycled/reused at the Shenyang site represents 5.4% of Shenyang's withdrawal. In comparison, the percentage recycled or reused increased from 1.7% in 2016 to 5.4% in 2017. We anticipate this trend to continue with the installation of closed loop waste water treatment systems.

Facility reference number
Facility 2

Facility name
Sundbyberg, Sweden

% recycled or reused
Not monitored

Comparison with previous reporting year
About the same

Please explain
Currently, Sundbyberg does not track water reuse or recycling wastewater, we anticipate to capture this data in the future with the installation of closed loop waste water treatment systems.

W5.1d

(W5.1d) For the facilities referenced in W5.1, what proportion of water accounting data has been externally verified?

Water withdrawals – total volumes

% verified
76-100

What standard and methodology was used?
ERM Certification and Verification Services (ERM CVS) provided limited assurance in relation to specified 2017 environmental and safety data presented in the 2017 Xylem Sustainability Report (page 78-79). The 2017 Assurance Statement issued by ERM CVS covers: Total water withdrawal (mega-liters). The standard used is ISAE 3000.

Water withdrawals – volume by source

% verified
Not verified

What standard and methodology was used?
ERM Certification and Verification Services (ERM CVS) provided limited assurance for total water withdrawal (mega-liters), and no other water measurements at this time.

Water withdrawals – quality

% verified
Not verified

What standard and methodology was used?
ERM Certification and Verification Services (ERM CVS) provided limited assurance for total water withdrawal (mega-liters), and no other water measurements at this time.

Water discharges – total volumes

% verified
Not verified

What standard and methodology was used?
ERM Certification and Verification Services (ERM CVS) provided limited assurance for total water withdrawal (mega-liters), and no other water measurements at this time.

Water discharges – volume by destination

% verified
Not verified

What standard and methodology was used?
ERM Certification and Verification Services (ERM CVS) provided limited assurance for total water withdrawal (mega-liters), and no other water measurements at this time.

Water discharges – volume by treatment method

% verified
Not verified

What standard and methodology was used?
ERM Certification and Verification Services (ERM CVS) provided limited assurance for total water withdrawal (mega-liters), and no other water measurements at this time.

Water discharge quality – quality by standard effluent parameters

% verified
Not verified

What standard and methodology was used?
ERM Certification and Verification Services (ERM CVS) provided limited assurance for total water withdrawal (mega-liters), and no other water measurements at this time.

Water discharge quality – temperature

% verified
Not verified

What standard and methodology was used?
ERM Certification and Verification Services (ERM CVS) provided limited assurance for total water withdrawal (mega-liters), and no other water measurements at this time.

Water consumption – total volume

% verified
Not verified

What standard and methodology was used?
ERM Certification and Verification Services (ERM CVS) provided limited assurance for total water withdrawal (mega-liters), and no other water measurements at this time.

Water recycled/reused

% verified
Not verified

What standard and methodology was used?
ERM Certification and Verification Services (ERM CVS) provided limited assurance for total water withdrawal (mega-liters), and no other water measurements at this time.

W6. Governance

W6.1

(W6.1) Does your organization have a water policy?

Yes, we have a documented water policy that is publicly available

W6.1a

(W6.1a) Select the options that best describe the scope and content of your water policy.

	Scope	Content	Please explain
Row 1	Company-wide	Description of business dependency on water Description of business impact on water Description of water-related performance standards for direct operations Reference to international standards and widely-recognized water initiatives Company water targets and goals Commitment to align with public policy initiatives, such as the SDGs Commitment to water-related innovation Commitment to stakeholder awareness and education Commitment to water stewardship and/or collective action Acknowledgement of the human right to water and sanitation Recognition of environmental linkages, for example, due to climate change	As a water technology company, Xylem's business model depends on water. Our Climate Change Policy outlines our enterprise commitment to develop mitigation and adaptation solutions for the water-related challenges associated with climate change. Key points include: Climate change will intensify water availability and quality risks. We: work with partners to increase water productivity, quality and resilience, resulting in direct and indirect benefits to climate change; have a goal to reduce water use in our industrial facilities by 25% by 2019; are a signatory to the UN Global Compact's CEO Water Mandate and Caring for Climate Statement; are committed to water-related innovation in developed and developing countries; encourage employee engagement in our sustainability initiatives and global citizenship program, Watermark; address water infrastructure through Value of Water Coalition; educate with reports and publications, such as our Urban Resilience series; ask companies to adopt SDGs. 20150528_climate-change-policy-position_vfinal.pdf

W6.2

(W6.2) Is there board level oversight of water-related issues within your organization?

Yes

W6.2a

(W6.2a) Identify the position(s) of the individual(s) on the board with responsibility for water-related issues.

Position of individual	Please explain
Board Chair	Led by an independent Chair, the Board's role in risk oversight, including risks and opportunities related to water. The Board of Directors provides oversight of our sustainability strategy and oversees our risk management processes and policies. The Board has delegated certain responsibilities to designated Committees that report to the full Board. The Audit Committee monitors Xylem's overall risk assessment and risk management program, including accounting, controls and financial disclosures. The Nomination and Governance Committee reviews Xylem's sustainability; business continuity and disaster recovery' and environmental, safety, health, and security programs; along with related activities. Both Committees and the full Board discuss water issues with management on an ongoing basis. The Chair, with input from the CEO and/or Corporate Secretary, establishes the Board agenda for Board meetings. Additionally, the Chairman of the Board sits on the Nominating and Governance Committee.

W6.2b

(W6.2b) Provide further details on the board's oversight of water-related issues.

	Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture Overseeing major capital expenditures Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Reviewing and guiding corporate responsibility strategy Reviewing innovation/R&D priorities Setting performance objectives	As a water tech company, Xylem's long-term business objectives hinge on the understanding and planning for macro-economic trends regarding water issues. Our business strategy, including MandA, risk management, reputation, and RandD are intricately linked to climate- and water-related issues. The Board of Directors provides oversight of our strategy and oversees our risk management processes and policies. The Board has delegated certain responsibilities to designated Board Committees that report back to the full Board. Water- and climate-related issues are addressed by the full Board, as well as the following Xylem Board Committees • Audit monitors Xylem's overall risk assessment and risk management program. Water risks are considered in risk analyses; •Nominating and Governance reviews Xylem's sustainability; business continuity and disaster recovery; and environmental, safety, health and security programs, • Finance, Innovation and Technology oversees Xylem's capital expenditure,acquisitions, technology and innovation goals; tracks RandD productivity and potential impacts on the company in events that technology is not developed. Xylem's current and forthcoming product lines are all related to water and realized or potential water-related issues that we can solve for our customers and the world. All Committees regularly report their activities to the full Board. Committees and the full Board discuss climate- and water-related issues with management on an on-going basis.

W6.3

(W6.3) Below board level, provide the highest-level management position(s) or committee(s) with responsibility for water-related issues.

Name of the position(s) and/or committee(s)
Chief Executive Officer (CEO)

Responsibility
Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues
More frequently than quarterly

Please explain
In his role as CEO, Patrick Decker has ultimate responsibility for aligning Xylem's long-term business strategy with water- and climate-driven market conditions in the water technology industry. The CEO provides updates on climate- and water-related risks and opportunities to the full Board and the Board's Nominating and Governance Committee on at least a quarterly basis, as well as more often as needed. The Board's Nomination and Governance Committee is responsible for reviewing the Company's sustainability; business continuity and disaster recovery' and environmental, safety, health and security programs; along with related activities.

W6.5

(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?

Yes, direct engagement with policy makers
Yes, trade associations

W6.5a

(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?

As a matter of policy, Xylem does not contribute to local, regional or national political campaigns, organizations, or candidates. The Company also does not contribute to ballot initiatives or referendums. With regard to Xylem's participation in trade associations, Xylem's primary focus as a fee paying member is on engagement with other members and not on policy influence. We ensure that our activities and the activities of our employees are consistent with our commitments through the inclusion of the following "Political Activity" section in our Code of Conduct: "As good corporate citizens, we are each encouraged to give back to our communities by becoming involved in the political process. However, we may only do so in our own name and on our own time, unless we are participating in a Company-approved grassroots initiative. This is the only situation in which we may use our Company's resources or name in connection with any form of political activity, unless we are specifically permitted to do so by law and we have obtained advance approval from the Company Legal department. In addition, we must be careful when engaging in lobbying activity or when conducting business that might resemble lobbying activity. Be certain to consult the Company Legal department before retaining a lobbyist or engaging in lobbying on behalf of Xylem."

W7. Business strategy

W7.1

(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, water-related issues are integrated	5-10	Technology is transforming how we solve water. Smart water networks identify water infrastructure problems earlier and more efficiently, saving wasted water. Improved wastewater management means less polluted waterways. We're creating the technological platform to address these opportunities. We expect global macro trends to fuel demand for our solutions. Global regulations are increasing the need for more efficient solutions. Population growth, urbanization and a growing middle class in emerging markets are boosting demand for clean water while putting strains on aging infrastructure. The impacts of climate change are disrupting water supplies with intensifying water scarcity in many parts of the world and increased flooding. These factors create a growing need for water and energy infrastructure solutions that are modern, efficient and resilient. Xylem is well-positioned to fulfill these long-term needs. At Xylem, we believe that if you can change water, you can change everything. And we know that while the world's water challenges are growing exponentially, so too are the opportunities to address and overcome them. That's why we're focused every day on finding a smarter way forward to solve water by harnessing the power of cutting-edge technologies and innovation.
Strategy for achieving long-term objectives	Yes, water-related issues are integrated	5-10	Xylem's business strategy is built on creating technology-enabled solutions to increase water productivity, water quality and resilience. One of Xylem's core business strategies is to drive long-term, accelerated growth by investing in key emerging markets, innovation and technology to enable smart infrastructure, commercial leadership, and disciplined MandAs. In 2017 and 2018, we invested in our core businesses and acquisitions, leading to the creation of our Advanced Infrastructure Analytics (AIA) platform, which helps utility customers identify problem areas across their water and energy resource networks, prioritize them based on condition assessments, and allocate resources to get the most return on investment and extend the life of their assets. For example, Pure Technologies, acquired in 2018, along with previously acquired businesses, Sensus, Tideland and Visenti, brings Xylem to the forefront of expertise in addressing the problems that come from aging infrastructure, such as non-revenue water, and eliminating inefficiencies in infrastructure capital and operating budgets. Newly acquired EmNet enables municipalities to manage their urban water cycle, including their wastewater and stormwater systems. EmNet's solution can indicate when to open and close valves in the wastewater system, enabling flow to be directed into pipes where capacity is available to prevent pollution of waterways or even buildings. To learn more, see our Sustainability Report, pp 17-20, 29-35
Financial planning	Yes, water-related issues are integrated	5-10	Xylem also takes a balanced approach to capital deployment, managing leverage with investments in growth. We return capital to shareholders via dividend growth in line with earnings and opportunistic share repurchases. As part of our strategy for growth, Xylem has a goal to increase our Vitality Index (percentage of sales from products launched in the last five years) to 30% by 2020 to drive product innovation and efficiency; Our Vitality Index is a key product efficiency indicator that means we're successfully selling products that are more sustainable, as new products are almost always more energy-efficient. Additionally, improvement in the Vitality Index will indirectly encourage the development of more sustainable products, which will result in the smarter use of water.

W7.2

(W7.2) What is the trend in your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?

	Water-related CAPEX (+/- % change)	Anticipated forward trend for CAPEX (+/- % change)	Water-related OPEX (+/- % change)	Anticipated forward trend for OPEX (+/- % change)	Please explain
Row 1					CAPEX and OPEX is managed at the local facilities and not tracked at a corporate level. As such, year by year changes to CAPEX and OPEX cannot be provided at this time, but we anticipate being able to provide it in 2019, as Xylem corporate is beginning to fund special projects at the facility level.

W7.3

(W7.3) Does your organization use climate-related scenario analysis to inform its business strategy?

	Use of climate-related scenario analysis	Comment
Row 1	Yes	Xylem uses The Global Water Tool and Aqueduct Tool to conduct sensitivity analysis to determine a level of water stress at each Xylem facility; and provide specific analysis of the water quality and resilience risks at each facility, such as regulatory landscape, drought, flood, and groundwater risks. Xylem uses these analyses and actual water consumption to set water consumption reduction goals and use a risk-based approach to the allocation of resources for water consumption projects consistent with our water intensity reduction goal. Water withdrawal is tracked through the online tool, Gensuite and reported and reviewed at the facility level, monthly for facilities equipped with water meters, and quarterly for facilities getting consumption information from invoices. Water withdrawal values are aggregated at the corporate level and used to track our progress against our goal. Xylem anticipates conducting scenario analysis in line with TCFD recommendations within the next two years.

W7.3a

(W7.3a) Has your organization identified any water-related outcomes from your climate-related scenario analysis?

Yes

W7.3b

(W7.3b) What water-related outcomes were identified from the use of climate-related scenario analysis, and what was your organization's response?

	Climate-related scenario(s)	Description of possible water-related outcomes	Company response to possible water-related outcomes
Row 1	Other, please specify (See speech bubble) *RCP4.5, RCP 8.5, and CMIP5 via the WRI Aqueduct Tool*	Xylem identified 50 facilities, out of more than 350 facilities, that are at extremely high physical risk to the quantity or quality of water, by 2020.	Xylem uses the Aqueduct analysis along with actual water consumption at each site to set water consumption reduction goals and use a risk-based approach to the allocation of resources for water consumption projects consistent with our water intensity reduction goal. The Aqueduct Water Stress Projections Data include indicators of change in water supply, water demand, water stress, and seasonal variability, projected for the coming decades under scenarios of climate and economic growth .Per WRI, indicators of water demand (withdrawal and consumptive use), water supply, water stress (the ratio of water withdrawal to supply), and intra-annual (seasonal) variability for the periods centered on 2020, 2030, and 2040 are estimated for two climate scenarios, RCP4.5 and RCP8.5, two shared socioeconomic pathways, SSP2 and SSP3. The Tool uses estimates from general circulation models (GCMs) from the Coupled Model Intercomparison Project Phase 5 (CMIP5). Xylem tracks water withdrawal using an online metrics tool called Gensuite. Water withdrawal is reported and reviewed at the facility level, monthly for facilities equipped with water meters, and quarterly for facilities getting consumption information from invoices. Water withdrawal values are aggregated at the corporate level and used to track our progress against our goal to reduce water use intensity by 25% by 2019.

W7.4

(W7.4) Does your company use an internal price on water?

Row 1

Does your company use an internal price on water?

No, but we are currently exploring water valuation practices

Please explain

Xylem is not directly dependent on large quantities of water, however as a water technology company, we need to actively manage our water risks to enhance our brand and reduce reputational risks. We plan to explore water valuation practices within the next two years.

W8. Targets

W8.1

(W8.1) Describe your approach to setting and monitoring water-related targets and/or goals.

	Levels for targets and/or goals	Monitoring at corporate level	Approach to setting and monitoring targets and/or goals
Row 1	Company-wide targets and goals Site/facility specific targets and/or goals	Targets are monitored at the corporate level Goals are monitored at the corporate level	In 2017, Xylem signed the CEO Water Mandate, committing to continuous progress against six core elements of water stewardship. To determine Xylem sites located in water-stressed or water-scarce areas, Xylem uses The Global Water Tool, developed by the World Business Council for Sustainable Development. This tool is used at manufacturing sites, sales and service facilities and large office-only facilities. Additionally, Xylem uses the WRI Aqueduct Tool to conduct sensitivity analysis to: a) determine how water stressed the area is where each Xylem facility is located, and b) provide specific, drilled down analysis of the water quality and resilience risks at each Xylem facility including characteristics such as regulatory landscape, drought, flood, upstream and groundwater risks among others. Xylem uses the Aqueduct analysis along with actual water consumption at each site to set water consumption reduction goals and use a risk-based approach to the allocation of resources for water consumption projects consistent with our water intensity reduction goal. Xylem tracks water withdrawal using an online metrics tool called Gensuite. Water withdrawal is reported and reviewed at the facility level, monthly for facilities equipped with water meters, and quarterly for facilities getting consumption information from invoices. Water withdrawal values are aggregated at the corporate level and used to track our progress against our goal to reduce water use intensity by 25% by 2019. Xylem also conducted a materiality assessment in 2017 to ensure that the goals and targets we create and monitor are most material to our business and our stakeholders. In 2018, Xylem initiated a comprehensive review of our sustainability approach to establish new long-term goals and review the best ways to track our progress against some of the harder-to-measure metrics. Our new goals will be aligned with the UN SDGs and UN Global Compact Principles.

W8.1a

(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.

Target reference number
Target 1

Category of target
Water consumption

Level
Company-wide

Primary motivation
Water stewardship

Description of target
Reduce water use intensity by 25% by 2019 from a 2014 baseline. In 2017, we reached an intensity reduction of 16.7%

Quantitative metric
% reduction per revenue

Baseline year
2014

Start year
2015

Target year
2019

% achieved
16.7

Please explain

Xylem is encouraged by the progress made towards this goal thus far. Our progress is in no small part due to the following specific water reduction initiatives: the installation of a dry cooling system at our Montecchio, Italy, plant; eliminating water leakage at our Slaton, Texas, plant; and the sale and closure of two manufacturing facilities. And at our global manufacturing facility in Emmaboda, Sweden, we've reduced water consumption by 33,000 cubic meters (m3) per year, or 30 percent, since the installation of two reversible heat pumps connected to three hardening machines. We anticipate future water use reductions in 2018 due to additional projects such as, harvesting rainwater with the HydroInfnity system to pump into our Montecchio, Italy plant, saving approximately 3,000 cubic meters per year in municipal water usage.

Target reference number
Target 2

Category of target
Product use-phase

Level
Company-wide

Primary motivation
Shared value

Description of target
Increase Vitality Index (percentage of sales from products launched in the past five years) to 30% by 2020 to drive product innovation and efficiency; following the acquisition of Sensus, we increased our Vitality Index 2020 goal from 25% to 30%. At the end of 2017, the Vitality Index was 24 percent, up 5 percent from 2016. Our Vitality Index is a key product efficiency indicator that means we're successfully selling products that are more sustainable, as new products are almost always more energy-efficient. Additionally, improvement in the Vitality Index will indirectly encourage the development of more sustainable products, which will result in the smarter use of water.

Quantitative metric
% increase in revenue from products designed for use-phase resource efficiency

Baseline year
2014

Start year
2015

Target year
2020

% achieved
24

Please explain
Our original goal was a 25% Vitality Index, however, following the acquisition of Sensus, we increased our Vitality Index 2020 goal from 25% to 30%. At the end of 2017, the Vitality Index was 24%, up 5 percent from 2016. We anticipate further progress in 2018.

Target reference number
Target 3

Category of target
Water, Sanitation and Hygiene (WASH) services in the community

Level
Company-wide

Primary motivation
Increase freshwater availability for users/natural environment within the basin

Description of target
Through our Watermark program, we have the opportunity to put our capabilities and expertise in solving water to work in order to provide and protect safe water resources and educate communities across the globe. To increase our impact, our target is to increase employee contributions and involvement in Xylem Watermark by reaching 100,000 employee volunteer hours by 2018, which would require a15% increase year-over-year. Our progress this year was a 16% increase in employee contributions and a 70% increase in volunteer hours (35,800+ employee hours) versus 2016.

Quantitative metric
Other, please specify (Employee contributions & volunteer hours)

Baseline year
2016

Start year
2016

Target year
2018

% achieved
70

Please explain
In 2017, we made significant progress toward our three-year pledge to log at least 100,000 employee volunteer hours for water-related activities through 2018. In 2017, we logged another 35,000+ hours to bring us to 56,000+ hours in the first two years of our pledge. The hours logged in 2017 represent a 70% increase over 2016. We also increased employee contributions by 16% in 2017.

W8.1b

(W8.1b) Provide details of your water goal(s) that are monitored at the corporate level and the progress made.

Goal
Other, please specify (See speech bubble)

Position Xylem as a leading advocate for sustainable water policy worldwide

Level
Company-wide

Motivation
Water stewardship

Description of goal
Our goal is to position Xylem as a leading advocate for sustainable water policy worldwide. Continue to participate in and influence industry discussions with policymakers, opinion leaders, and influencers. Measured by the number of visible leadership roles in industry organizations obtained and a number of speaking engagement at industry thought leader events.

Baseline year
2016

Start year
2016

End year
2030

Progress
In 2017, Xylem became a signatory of the UN CEO WATER MANDATE and issued a public statement of its unwavering commitment to the principles of the Paris Climate Accord. Here's a sampling of other 2017 engagements: At the Global Water Summit 2017, Xylem's CEO participated in the CEO Forum to discuss global water issues and Xylem's Director of Systems Intelligence Center of Excellence participated in the digital strategy panel discussion. Xylem sponsored SMART CITIES NYC '17. Xylem participated in the American Water Works Association's and the Water Environment Federation's annual conferences, convening a Smart Water Leaders Luncheon for customers and industry stakeholders. Working with the Smart Cities Council, Xylem provided in-kind donations to the 5 winning cities of the White House-sponsored Smart Cities Council Readiness Challenge Grant. Xylem donated a fully equipped FlexNet® communications network to each of the cities and conducted readiness workshops in each city. At World Water Week 2017, Xylem co-convened a forum entitled: "Data Drought: An Assessment of Global Hydrological Monitoring Systems" with Duke University, the Aspen Institute and the University of Oxford. Xylem is helping communities prepare for water-related challenges and disasters, in its publication, Building Resilience: Creating Strong and Sustainable Cities and Communities.

Goal
Providing access to safely managed Water, Sanitation and Hygiene (WASH) in local communities

Level

Company-wide

Motivation
Water stewardship

Description of goal
Increase impact of Xylem Watermark, our corporate citizenship program, through investments to nonprofit partners. Invest in projects that reach/impact schools and communities, including expanding impact to new growth markets such as China, India, Southeast Asia, Latin America, and the Middle East. Providing access to clean water and sanitation has a positive impact on the health of the school children and individuals in the vulnerable communities.

Baseline year
2016

Start year
2016

End year
2018

Progress
Key performance indicators include: increasing the number of beneficiaries reached by 10% over previous year, the number of individuals that gain long-term access to safe water and sanitation facilities, and the number of individuals who transform their hygiene behavior. Watermark activities in their area and record their volunteering time, more than 56,000 hours were logged in the first two years, 35,000 in 2017 alone. This represents a 70% increase over 2016.

W9. Linkages and trade-offs

W9.1

(W9.1) Has your organization identified any linkages or tradeoffs between water and other environmental issues in its direct operations and/or other parts of its value chain?
Yes

W9.1a

(W9.1a) Describe the linkages or tradeoffs and the related management policy or action.

Linkage or tradeoff
Linkage

Type of linkage/tradeoff
Decreased GHG emissions

Description of linkage/tradeoff
WATER and CLIMATE CHANGE: Water and our climate are deeply intertwined. According to research by the IPCC, climate change will intensify risks associated with water availability and quality. As a global water technology company, Xylem is working with partners to increase water productivity, quality and resilience, resulting in direct and indirect benefits to climate change. We call on global decision-makers to create the conditions required to address the challenges of the “water-climate nexus.”

Policy or action
Our Climate Change Policy focuses on developing mitigation and adaptation solutions to the water-related challenges associated with climate change through our products, operations, corporate citizenship and social investment, and stakeholder engagement. In 2016 we set ambitious operational targets related to climate change that are discussed in our latest Sustainability Report. In 2017, we became a signatory of the UN Global Compact’s CEO Water Mandate and Caring for Climate Statement to demonstrate our commitment to action, contributions to climate policy dialogue and forward thinking on the climate-water nexus.

Linkage or tradeoff
Linkage

Type of linkage/tradeoff
Other, please specify (Climate Resilience)

Description of linkage/tradeoff
WATER and URBAN RESILIENCE: Urban resilience refers to a city’s ability to prepare for, respond to, and recover from significant hazardous threats (including environmental) with minimum damage to a region’s safety, health, economy and security. Xylem believes that corporations can play an important role in building resilience through innovation in technology and business models.

Policy or action
Xylem is taking a leadership role in helping communities prepare for water-related challenges and disasters. This is the purpose of Building Resilience: Creating Strong and Sustainable Cities and Communities, a report published by Xylem in 2017. It outlines the challenges communities face as they anticipate, prepare for, respond to and recover from natural disasters and environmental challenges. Through a variety of case studies, the report illustrates how advanced technologies can help communities ensure water security, strengthen critical infrastructure, drive response and recovery, and engage community stakeholders to build resilience. Working with the Smart Cities Council, Xylem’s Sensus business provided substantial in-kind donations for the five winning cities of the White House-sponsored Smart Cities Council Readiness Challenge Grant. The company donated a fully equipped FlexNet® communications network to each of the cities and conducted customized readiness workshops in each city. The mission of Xylem’s Watermark program is to provide and protect safe water resources for communities in need around the world and educate people about water issues.

W10. Verification

W10.1

(W10.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1d)?

Yes
Xylem 2017 Assurance Statement_Issued_4_June_2018.pdf

W10.1a

(W10.1a) Which data points within your CDP disclosure have been verified, and which standards were used?

Disclosure module	Data verified	Verification standard	Please explain
W1. Current state	2017 total water withdrawal = 414.5 megaliters.	ISAE3000	ERM Certification and Verification Services (ERM CVS) provided limited assurance in relation to specified 2017 environmental and safety data presented in the 2017 Xylem Sustainability Report (page 78-79). The 2017 Assurance Statement issued by ERM CVS covers: Total water withdrawal (mega-liters).

W11. Sign off

W-FI

(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

W11.1

(W11.1) Provide details for the person that has signed off (approved) your CDP water response.

	Job title	Corresponding job category
Row 1	Claudia Toussaint Senior Vice President, General Counsel and Corporate Secretary	Other C-Suite Officer

W11.2

(W11.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].

Yes

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	Public or Non-Public Submission	I am submitting to
I am submitting my response	Public	Investors

Please confirm below

I have read and accept the applicable Terms