

## W0. Introduction

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### W0.1

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

Xylem, with 2018 revenue of \$5.2 billion and approximately 17,000 employees, is a leading global water technology company helping our customers address their most challenging water and wastewater problems. We design, manufacture and service highly engineered products and solutions ranging across a wide variety of critical applications, primarily in the water sector, but also in electric and gas. Our broad portfolio of products, services and solutions addresses customer needs across the water cycle, from the delivery, measurement and use of drinking water to the collection, test and treatment of wastewater to the return of water to the environment. We have differentiated market positions in core application areas including transport, treatment, test, smart metering, smart infrastructure, analytics, digital solutions, condition assessment and leak detection, building services and industrial processing.

Launched in 2011 from the spin-off of the water-related businesses of ITT Corporation, Xylem is headquartered in Rye Brook, New York, and manufactures and assembles products in 22 countries, operates in more than 50 countries and sells services and solutions in more than 150 countries through a balanced distribution network consisting of our direct sales force and independent channel partners. Our product, services and solutions offerings are organized into three reportable segments that are aligned around the critical market applications they provide: Water Infrastructure, Applied Water and Measurement & Control Solutions.

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

Xylem was named the Water Technology Company of the Year at the 2018 Global Water Awards. The accolade is presented to the company that made the most significant contribution to the field of water technology in 2017.

Xylem was recognized for "its unparalleled vision to offer end-to-end solutions for the digital utility of the 21st century." Through strategic acquisitions and cutting-edge innovations centered on energy management and process optimization, Xylem has established itself as a leading provider of intelligent solutions that address the water industry's most persistent challenges. Xylem was identified as the company that "moved the needle in the water technology sector in 2017...to become an outright leader in the rapidly growing market for smart water solutions."

"We are honored to be recognized as Water Technology Company of the Year," said Patrick Decker, Xylem President and Chief Executive Officer. "This award is an important acknowledgement of the efforts of our nearly 17,000 Xylem colleagues who are committed to tackling the most complex water management challenges facing communities today. We remain focused on collaborating with our customers and partners to bring the right technology solutions to the market to increase the productivity of water and wastewater operations, and to help utilities address the issue of water affordability."

Xylem's recent acquisitions of Pure Technologies, EmNet and Valor Water Analytics were each noted for strengthening the Company's suite of solutions to address non-revenue water, as well as smart water and wastewater network assessment and management. Other achievements highlighted include the installation of Xylem's Concertor intelligent wastewater pumping system in Washington, D.C., and the launch of Xylem's latest smart dewatering pump. Also acknowledged were Xylem's continued efforts to develop potable reuse solutions with the installation of the world's first large-scale ultraviolet /chlorine process to treat wastewater to drinking water standards at the Terminal Island Water Reclamation Plant in Los Angeles in 2017.

Please see the [Xylem Website](#) for more information about our company.

## 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 2018	December 31 2018

## W0.3

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

Algeria  
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  
Uruguay

## 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 bathrooms 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 cannot 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, and for the lubrication and cooling of machining equipment, and is hence important to our operations. 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 R&D 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 are collecting rainwater for use in test tanks and use recycled water for landscaping and sanitation. 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. For example, faced with one of the most severe droughts on record, the Los Angeles Terminal Island Water Reclamation Plant contracted with Xylem to provide safe water that complies with groundwater recharge regulations for indirect potable reuse. Today, the Terminal Island plant treats 12 million gallons a day of highly purified water for beneficial reuse, reducing dependency on imported potable water supplies. To learn more about the Terminal Island project, <a href="#">click here</a> .

**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 Eco Project Deck. 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. Several facilities recycle and reuse water at Xylem, to drive more efficient water usage and maintain lower withdrawal values.
Water withdrawals – volumes from water stressed areas	76-99	Xylem tracks water withdrawal at all its sites using an online metrics tool called Eco Project Deck. Facilities equipped with water meters report monthly, facilities receiving consumption information from invoices report quarterly. In 2018, water withdrawn from water-stressed areas represented 38.7% of total water withdrawal.
Water withdrawals – volumes by source	76-99	Xylem tracks environmental data, including water withdrawal, using an online metrics tool called Eco Project Deck. We measure the amount of water withdrawn by source (surface water, groundwater and municipal networks). Facilities equipped with water meters report monthly, facilities receiving withdrawal information from invoices report quarterly.
Entrained water associated with your metals & mining sector activities - total volumes [only metals and mining sectors]	<Not Applicable>	<Not Applicable>
Produced water associated with your oil & gas sector activities - total volumes [only oil and gas sector]	<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. The methods used to determine and track compliance are based on the parameters outlined in the facility permits.
Water discharges – total volumes	1-25	We discharge all water we withdraw back to the local sewer systems. Evaporation can be considered insignificant. Xylem only actively tracks water discharges of our manufacturing sites, where water is treated before it is released. In 2018, this represented 18.8 % of our total water withdrawals. Many of our smaller non-manufacturing sites have washing stations for customer equipment, which are equipped with oil separators to ensure water is clean before it is released. Most of our smaller sites are not subject to water permits and hence have no discharge meters installed. We are planning to install additional meters in the future. Water discharge is measured using an online metric tracking tool called Eco Project Deck. Each applicable facility tracks its compliance with discharge limits and parameters. Xylem tracks this information monthly to ensure regulatory and environmental compliance.
Water discharges – volumes by destination	Not monitored	Xylem tracks water discharges using an online metrics tracking tool called Eco Project Deck. Water discharge by destination is not tracked at the corporate level.
Water discharges – volumes by treatment method	Not monitored	Xylem tracks water discharges using an online metrics tracking tool called Eco Project Deck, however, water discharge by treatment method is not tracked at the corporate level.
Water discharge quality – by standard effluent parameters	1-25	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. This information is tracked monthly to ensure regulatory and environmental compliance. The methods used to track compliance are based on the parameters outlined in the facility permits. Xylem only actively tracks water discharges of our manufacturing sites, where water is treated before it is released. In 2018, this represented 18.8 % of our total water withdrawals. Many of our smaller non-manufacturing sites have washing stations for customer equipment, which are equipped with oil separators to ensure water is clean before it gets released. Most of our smaller sites are not subject to water permits though and hence, have no discharge meters installed. We are planning to install additional meters in the future.
Water discharge quality – temperature	Not relevant	Xylem tracks water discharge quality using an online metrics tracking tool called Eco Project Deck; however, water discharge temperature is not tracked.
Water consumption – total volume	1-25	We discharge all water we withdraw back to the local sewer systems. Evaporation can be considered insignificant and our water consumption is minimal. Xylem however only actively tracks water discharges of our manufacturing sites facilities, where water is treated before it is released to meet all environmental requirements. In 2018, this represented 18.8 % of our total water withdrawals. Hence, we can only actively monitor water consumption at these sites facilities as well. Xylem tracks water data using an online metrics tracking tool called Eco Project Deck on a monthly basis.
Water recycled/reused	76-99	Xylem tracks water recycled/reused, using an online metrics tool called Eco Project Deck. 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 goals 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 2018, the amount of water recycled/reused at Xylem facilities represented 7.4% of the total amount of withdrawn water, as compared to 3.8% in 2017.
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) to all its employees. 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 access to safe, clean and an adequate supply of drinking water. The policy requires the testing of the quality and quantity of drinking water on at least an annual basis. This testing requirement is included in the scope of Corporate EHS audits. Xylem is a signatory to the WBCSD WASH Pledge and we have expanded our commitment to include employee homes. Through the Pledge, we joined a strong community of recognized leaders in the WASH field and the call to action for accelerating universal access to WASH. As part of our 2025 goals we also have a requirement for all Xylem Preferred Suppliers to sign the Pledge.

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	458.51	Higher	In 2019, we corrected inaccuracies in our previous data collection, which resulted in higher water withdrawal data than previously reported (from 414.5 ML to 437.5). Improvements in our data collection methods to include an explanation from facilities with increased water usage assisted in correcting the inaccuracies. Withdrawal data for 2018 are hence only slightly higher than in 2017. Even with the increase in withdrawal, Xylem still achieved a 16.6% reduction in water intensity (water withdrawal by unit of income) from our 2014 baseline, as compared to a 12 % reduction in 2017. Water withdrawal 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 Value of Water Information white paper can be found here.
Total discharges	458.51	Higher	All water used by Xylem facilities is discharged to the local sewer systems. In our prior responses, we only report discharges of treated water, which we actively measure with water meters. For the 2019 response, we followed CDP guidance, and report total water discharges. For comparison, in 2017 total discharges were 437.5 ML. 2018 discharges are higher due to a higher withdrawal volume. 2018 treated water discharges amounted to 86.1 ML, as compared to 90.3 ML in 2017. Future discharges will vary along with variations in water withdrawal. We expect 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 Value of Water Information white paper can be found here.
Total consumption	0	About the same	In our 2018 response, we calculated water consumption according to the following formula: water consumption = water withdrawal - water discharged - water recycled or reused. For the 2019 response, we followed CDP guidance, and report water consumption as water withdrawal - water discharge. Following CDP guidance 2017 water consumption was 0 ML as well. While 0 ML does not represent an accurate measurement, since we only actively track water discharge at our manufacturing sites, we discharge all water we withdraw back to the local sewer systems. Evaporation can be considered insignificant and our water consumption is minimal. We expect this number to remain relatively steady in the future, as we continue discharge all of our water back into the sewer systems. For comparison, following our previous accounting methodology, 2018 water consumption would amount to 338.4 ML as compared to 324.2 ML in 2017

**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	38.7	Lower	WRI Aqueduct	To determine which Xylem sites are located in water-stressed or water-scarce areas, Xylem uses the WRI Aqueduct Tool. The tool allows us to conduct sensitivity analyses 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 withdrawal data at each facility to set goals for reduction of water withdrawal 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 year end 2019. Our Hydroinfinity product is used at facilities located in water-stressed areas to treat contaminated water, chemical-free, to independently verified drinking water standards. Electronic sensors and remote monitoring enable continuous monitoring of the water quality. In 2018, to reduce our own dependence on water withdrawals in water-stressed regions, Hydroinfinity/Rainmaster units were installed at our facilities in Chihuahua, Mexico (extreme high-risk water stress) and Hoddesdon, United Kingdom (high-risk water stress); these units were also installed in 2017 in Montecchio, Italy (high-risk water stress), and Cape Town, South Africa (extreme high-risk water stress). For comparison the percentage of water withdrawn from water-stressed areas in 2017 was 41%.

**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	22.7	Much higher	Overall, surface water is a very small portion of our overall water withdrawal volume. Our highest Xylem facility for water withdrawal is located in Emmaboda, Sweden. It is the only facility using surface water and it increased its water consumption by 50.6% from 2017 to 2018 due to a hot summer and increased evaporation. In addition, there was an increase in the use of river water because of the increased test time needed to cool our largest pumps in the test pit with a continuous flow of water. And finally, there was leakage in the piping in the test pit which required the refilling of the test tank once the tank had been drained and the piping repaired. We anticipate to reduce our freshwater use in Emmaboda in the future, working toward our overall water intensity reduction goal of 25% by 2019. For comparison, our fresh water withdrawal was 11.2 ML in 2017.
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>	Xylem does not withdraw any renewable groundwater.
Groundwater – non-renewable	Relevant	6.6	Much lower	In 2018, Xylem had two sites that used groundwater: Lubbock, TX, United States, and Buenos Aires, Argentina. The Lubbock, TX facility slightly increased its groundwater usage, by 6%. The Buenos Aires facility increased by 29% from 2017 to 2018 due to leaks related to an ageing sanitary water distribution system. Upgrades were made and the issues were solved. Tracking and control measures were implemented after completion. The facility is running well below last year's usage comparing 2019 January to June time periods. In 2018, we switched the water supply at our facility in Montecchio, Italy to municipal water. It had previously been using groundwater as well, explaining the reduction in consumption in 2018. We consider this comparison "Much lower" as opposed to "Lower" because the decrease is larger than 50%. We anticipate further reductions in non-renewable groundwater consumption due to our expectations of increased efficiencies.
Produced/Entrained 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	429.2	Higher	The majority of 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 2018 increased 16.7%. Montecchio, Italy, our facility with the second largest volume in water withdrawals switched to 100% third party sources in 2018. We also improved our data collection, explaining most of the increase from 2017. We anticipate future reductions in withdrawal from third-party sources due to our expectation of ever-increased efficiencies. We consider this increase to be "higher" as opposed to "much higher" since it is less than 50%.

**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	1-10	Higher	The amount of water recycled/reused at Xylem facilities represented 7.4% of the total amount of withdrawn water. This translates into 34 ML of fresh water saved. In comparison, the percentage recycled or reused in 2017 was 3.8%. We consider this increase to be "Higher" as opposed to "Much higher", since the increase is slightly less than 50%. An example of our efforts to increase recycling and reuse of water at our facilities in 2018 include an upgrade of the existing water treatment facility at the Shenyang, China facility. It included the installation of Xylem products (Flygt, Steady and Lowara pumps, Sanitaire aerator and Wedeco ozone generator) allowing the facility to treat its wastewater and reuse it for test tanks, facility cleaning, toilet flushing, landscaping and sprinkler system refilling. The facility reduced its water withdrawal by 25.6 percent from 2017 to 2018 and increased its water reuse by 414.2 percent.

**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. Xylem completed these supply chain audits with suppliers located in countries where human and labor rights issues could be a concern and which are located in water-stressed areas. In 2019, we set an annual goal for conducting supplier audits, with an initial target of 200 supplier audits. Our intent is to increase that number by 40 audits each year through 2025. We also made several enhancements to our Supplier Quality Assessment program to include additional Sustainability audit requirements.

**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. Xylem conducts sustainability audits for suppliers. A new Supply Chain sustainability audit protocol was written in 2018 and 14 audits were conducted in Q4 2018 using the new protocol. These audits 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.

**Comment**

**W1.4b**

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**(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**

We continually challenge our suppliers to provide continuous improvement suggestions/programs to improve safety, efficiency, carbon footprint, waste and cost, to assist us in any way in regard to our stated goal of solving water, as part of our Supplier Environmental Assessment. We also started offering a water footprint calculation tool developed in house to critical suppliers. The tool allows our suppliers to identify ways to limit water consumption.

**Impact of the engagement and measures of success**

The water footprint calculation tool has just been offered to suppliers for the first time, and while the beneficial outcomes have yet to be analysed, there is much potential. With the use of this tool, suppliers are 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. In 2018, we also dedicated two full-time resources to suppliers to drive continuous improvement in cost and waste reduction and implemented joint kaizen events using lean concepts and continuous improvement tools such as 5S, Value Stream Mapping and quick changeover.

**Comment**

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**W1.4c**

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

We identify a key stakeholder group as one that is critical to our business and strategy and a core partner in our growth and sustainability efforts. We engage on a regular basis with these groups.

For a list of our stakeholder and concerns raised refer to our [2018 Sustainability Report](#), page 38.

Xylem's tagline is an inclusive invitation: Let's Solve Water. Addressing the many water challenges our planet faces is a huge and vital undertaking that calls for collaboration and teamwork to leverage the technology-enabled solutions that are available today and will be developed in the future. We believe this work represents the opportunity to have a positive, lasting impact on the global and local communities in which we operate. We utilize a variety of resources and tactics to foster two-way communications with our many stakeholders. We work to engage our key stakeholder groups regularly, as well as consider broader society by including stakeholders such as certification, regulatory, sustainability and financial rating agencies, academia, associations and nongovernmental shareholder organizations.

During the past 12 months, we have engaged extensively with external stakeholders, including three of our largest institutional shareholders, strategy fellows, executive development program (EDP) participants, functional groups, customers, suppliers and NGOs to garner input regarding the development of our 2025 Sustainability Goals and Strategy.

## W2. Business impacts

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### W2.1

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

No

### W2.2

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**(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

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### W3.3

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

Yes, water-related risks are assessed

### W3.3a

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**(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 years

**Type of tools and methods used**

Tools on the market

Enterprise Risk Management

**Tools and methods used**

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. We use the WRI Aqueduct Water Risk Atlas Tools to conduct water sensitivity analyses and communicate water use and risks relative to water availability. In 2018 300 (over 90%) of Xylem facilities were analyzed.

### Supply chain

#### Coverage

Full

#### Risk assessment procedure

Water risks are assessed as a standalone issue

#### Frequency of assessment

Annually

#### How far into the future are risks considered?

1 to 3 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.

### 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 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

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**(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. We need water in our operations. It is also in alignment with our business vision and our stakeholders expect it from us. 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 facility 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.
Water quality at a basin/catchment level	Relevant, not included	As a company focused on solving the world's water problems, water quality at the basin/catchment level is relevant to us. 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. The Business Continuity Plans (BCPs) developed at all Xylem manufacturing facilities 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	As a company solving the world's water problems, not addressing any stakeholder conflicts concerning water resources presents a reputational risk for Xylem. Systematic tracking and monitoring of existing stakeholder conflicts (including those regarding water) are part of Xylem's EHS Policies Reporting and Resolving EHS 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 (including those caused by water challenges), 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 2018, Xylem began offering 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 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 Management System and Xylem EHS 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 requirements that apply, including all regulatory requirements regarding water and water use.
Status of ecosystems and habitats	Not relevant, included	Our Water Footprint assessments have established that 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.
Access to fully-functioning, safely managed WASH services for all employees	Relevant, always included	Xylem is a signatory to the WBCSD WASH Pledge and we have expanded our commitment to the Pledge to include employee homes. Signing the Pledge provides us an opportunity to show our commitment to action towards WBCSD's Vision 2050. It also provides a platform for us to communicate about our good practices, both internally and externally. By signing the Pledge, we became part of a strong community of recognized leaders in the WASH field. We added our voice to the global call to action for accelerating universal access to WASH. As part of our 2025 goals we have a requirement for all Xylem Preferred Suppliers to also sign the Pledge. Xylem provides fully functioning access to water supply, adequate sanitation and hygiene (WASH) for to all its workers employees. 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 access to safe, clean and an adequate supply of drinking water. The policy requires the testing of the quality and quantity of drinking water on at least an annual basis. This testing requirement is included in the scope of Corporate EHS audits.
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	Meeting our customers water risks is vital to Xylem's success as a business. We consider our customer's water risks as an opportunity to help solve them. 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 last materiality assessment, we learned that product and business model innovation is a top priority to meet customer needs. 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	It is our employees' skills and commitment that allow us to solve the world's water problems, and we encourage them to share their water related concerns and ideas. We also have a public commitment to SDG 6 'clean water and sanitation for all. Many of our employees' families live close to our operations, and we must ensure we conserve local water supplies. Every employee is informed of our water stewardship and our water management policies, and we encourage all our employees to participate in community activities addressing local water needs. Our business is at financial, operational and reputational risk if our employees are not safe, informed, and heard. 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 on existing and emerging risks, including water-related risks. 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. Furthermore, Xylem included employees in our most recent robust materiality assessment in 2017.
Investors	Relevant, always included	A global freshwater crisis is one of the main threats to the world's economy. The relevance of fresh water issues and the connection between local water scarcity and global financial effects is an important material risk for investors. Climate change will aggravate water risks. As temperatures increase, water risks will rise. We depend on our investors for financial sustainability and the opportunity to expand our products and services that help solve the world's water problems. 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 and the development of our 2025 goals 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. Our next materiality assessment will be conducted in 2020. We have a public commitment to SDG 6 'clean water and sanitation for all and we must ensure we conserve local water supplies. 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 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. We have identified that in 2018, Xylem had 2 facilities located in arid and low water use areas, 55 facilities located in high risk areas, and 43 facilities located in 'extremely high risk' areas. This information informs Xylem's regular local operations outreach, and Watermark field assessments.
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, our corporate citizenship program, 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 employee contributions, including corporate matching. To learn more about how Xylem Watermark, with our partners, made its mark on the global water crises in 2018, click here. In 2019, we also issued a goal to deploy humanitarian aid to 200 areas affected by water-related natural disasters by 2025.
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 looks forward to participating with other water users at a basin/catchment level through the CEO Water Mandate Water Action Hub.
Regulators	Relevant, always included	Xylem considers regulatory changes under operational risk and compliance risk to the organization. In 2016, we used the WBCSD Global Water Tool to conduct a water risk analysis on 270 sites (>90% of sites). In 2018, 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 Management System and Xylem EHS 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 requirements that apply to them including all regulatory requirements regarding water and water use.
River basin management authorities	Not relevant, explanation provided	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, explanation provided	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 facility audits. To ensure our suppliers are not discharging into impaired waters, Xylem tracks EPA violation indicators for all suppliers in the US regularly. Additionally, Xylem conducts sustainability audits for suppliers. A new Supply Chain sustainability audit protocol was written in 2018 and 14 audits were conducted in Q4 2018 using the new protocol. These audits 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.
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.
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. We are 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'.

As a result, we install our own products at facilities located in water-stressed areas to treat contaminated water to independently verified drinking water standards, recycle water, and collect rainwater. In 2018, Hydroinfinity/Rainmaster units were installed at our sites in Chihuahua, Mexico (extreme high-risk water stress), Hoddesdon, United Kingdom (high-risk water stress), and Kolding, Denmark (not water-stressed); these units were also installed in 2017 in Montecchio, Italy (high-risk water stress), and Cape Town, South Africa (extreme high-risk water stress).

Xylem also runs an energy-saving program called Energy Treasure Hunts, consisting in cross-functional teams of Xylem employees identifying possible day-to-day energy-efficiency improvements. Since 2017, the Energy Treasure Hunt program also includes water-saving potentialities in specific Xylem facilities. In 2018, treasure hunts were conducted at 18 Xylem facilities around the world.

Several projects petitioned for in 2018 are underway in 2019 which will help us meet or exceed our 25% water use intensity reduction goal by year end. The capital budget for these projects is over \$1M U.S. and include the following:

- Montecchio, Italy – Ultrafiltration and reuse system being installed.
- Texarkana, Texas, United States – Painting passivation and test treatment reuse system being installed.
- Auburn, NY, United States – Cooling, testing and cleaning closed-loop wastewater treatment system being installed.
- Uniontown, Pennsylvania, United States – Cooling tower water reclamation, closed-loop wastewater treatment system being installed.
- Chihuahua, Mexico – closed-loop wastewater treatment system installed.
- Morton Grove, Illinois, United States – Closed-loop wastewater system being installed.
- Herford, Germany – Closed-loop wastewater treatment system being installed.

Furthermore, 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

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### W4.1

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**(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

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**(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 facility 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	1	Less than 1%	We use the WRI Aqueduct Tool to assess and communicate water use and risks relative to water availability at 295 Xylem facilities (over 90% of our facilities). Xylem has identified 2 facilities located in 'arid and low water use' areas, 55 facilities located in 'high risk' areas, and 43 facilities located in 'extremely high risk' areas in 2018. 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. One facility that could have substantive impact on Xylem's business is Shenyang, China. That facility is considered of critical importance to Xylem's business because it contributes to 4% or more of Xylem's revenue, and a disruption at the facility (including a water-related disruption), would cause a substantive impact on our business. To reduce potential water-related risks, we proactively manage the site to identify and implement solutions to reduce their water use. 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**

Less than 1%

**Comment**

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

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W4.2

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**(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 facility 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

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

208000000

**Potential financial impact figure - minimum (currency)**

<Not Applicable>

**Potential financial impact figure - maximum (currency)**

<Not Applicable>

**Explanation of financial impact**

This facility located in Shenyang, China is considered a "critical" Xylem facility since it contributes to 4% or more of Xylem's overall revenue. Xylem's overall revenue in 2018 was 5.2 billion, therefore 4% would be 208 million.

**Primary response to risk**

Adopt water efficiency, water re-use, recycling and conservation practices (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. The recent upgrade of the existing water treatment facility at the Shenyang, China, included the installation of Xylem products (Flygt, Steady and Lowara pumps, Sanitaire aerator and Wedeco ozone generator) allowing the facility to treat its wastewater and reuse it for test tanks, facility cleaning, toilet flushing, landscaping and sprinkler system refilling. The reduced its water withdrawal by 25.6 percent from 2017 to 2018 and increased its water reuse by 414.2 percent to 2018 and increased its water reuse by 414.2 percent.

**Cost of response**

200000

**Explanation of cost of response**

The cost to upgrade the wastewater treatment facility at Shenyang using Xylem products was 200,000 USD.

**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 our comprehensive risk assessment 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

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### (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

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### (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

Today, less than 1% of the total water available on earth is fresh water, and supplies are under threat due to the draining of aquifers, pollution and climate change. Demand for fresh water is rising rapidly due to population growth, industrial expansion, and increased agricultural development. Consumption is estimated to double every 20 years. By 2025, more than 30% of the world's population is expected to live in areas without adequate water supply. Even in developed countries with sufficient clean water supply, existing water supply infrastructure is aging and inadequately funded. These and other challenges create opportunities for growth in the global water industry. We compete in areas that are pivotal to improving water productivity, water quality and resilience. Our customers often face challenges, ranging from inefficient and aging water distribution networks, energy-intensive or unreliable wastewater management systems or exposure to natural disasters such as floods or droughts. 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. Through the acquisition of Sensus, we also provide solutions to enhance communications and efficiency, improve safety and conserve resources to customers in the water, electric, gas, and lighting sectors. Delivering value in these areas creates significant opportunity for the Company.

#### Estimated timeframe for realization

>6 years

#### Magnitude of potential financial impact

Medium-high

#### Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

#### Potential financial impact figure (currency)

5700000000

#### Potential financial impact figure – minimum (currency)

<Not Applicable>

#### Potential financial impact figure – maximum (currency)

<Not Applicable>

#### Explanation of financial impact

We estimate the total addressable market size of our industry to be approximately \$550 billion. According to our market share, we estimate our total served market size to be approximately \$57 billion. The 2018 Atlantic hurricane season was the third in a consecutive series of above-average and damaging Atlantic hurricane seasons featuring 15 named storms, 8 hurricanes, and 2 major hurricanes, which caused a total of over \$50.205 billion in damages. These increasing disasters may lead to increased sales of Xylem products and services. For example, in 2017, 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

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### W5.1

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(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)**

12.86

**Comparison of withdrawals with previous reporting year**

Lower

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

12.86

**Comparison of discharges with previous reporting year**

Lower

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

0

**Comparison of consumption with previous reporting year**

About the same

**Please explain**

The recent upgrade of the existing water treatment facility at the Shenyang, China, facility included the installation of Xylem products (Flygt, Steady and Lowara pumps, Sanitaire aerator and Wedeco ozone generator) allowing the facility to treat its wastewater and reuse it for test tanks, facility cleaning, toilet flushing, landscaping and sprinkler system refilling. The facility reduced its water withdrawal by 25.6 percent from 2017 to 2018 and increased its water reuse by 414.2 percent.

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W5.1a

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(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/Entrained water**

0

**Third party sources**

12.86

**Comment**

Xylem's Shenyang facility withdraws water from municipal water treatment authority.

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W5.1b

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(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**

12.86

**Comment**

The water from Shenyang's facility is discharged to a municipal system treatment plant.

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W5.1c

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(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**

26-50%

**Comparison with previous reporting year**

Much higher

**Please explain**

The amount of water recycled/reused at the Shenyang, China facility represents 37.7% of Shenyang's withdrawal. In comparison, the percentage recycled or reused was 5.4% in 2017. This is in large part due to the recent upgrade of the existing water treatment facility, which included the installation of Xylem products (Flygt, Steady and Lowara pumps, Sanitaire aerator and Wedeco ozone generator) allowing the facility to treat its wastewater and reuse it for test tanks, facility cleaning, toilet flushing, landscaping and sprinkler system refilling.

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W5.1d

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**(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 2018 environmental and safety data presented in the 2018 Xylem Sustainability Report (page 42). The 2018 Assurance Statement issued by ERM CVS covers: Total water withdrawal (mega-liters). The standard used is ISAE 3000 (Revised).

**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.

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**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.**

Row	Scope	Content	Please explain
1	Select facilities, businesses, or geographies only	Description of business dependency on water Description of business impact on water Description of water-related performance standards for direct operations Description of water-related standards for procurement 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 Commitments beyond regulatory compliance 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 innovative 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; Understanding that our own water footprint pales in comparison to the impact we can have through the use of our products, we introduced a number of new goals related to the use of our products with a target year of 2025 in 2018. We 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) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.**

Position of individual	Please explain
Board Chair	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 annual budgets Reviewing and guiding business plans Reviewing and guiding major plans of action 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) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).**

**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**

Xylem's CEO 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 political campaigns, organizations, or candidates, ballot initiatives or referendums. Xylem’s primary focus as a fee paying member in trade associations is on engagement with other members and not on policy influence. We ensure that our and our employees’ activities 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.”

Xylem provides technology and market expertise to inform policymaking on key water issues. For example, in 2018, Xylem Europe supported the refit and development of several EU water-related legislations, consistent with our water policy and commitments.

**W6.6**

**(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?**

No, but we plan to do so in the next two years

**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 M&As. 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. In 2017 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.
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?**

Row 1

**Water-related CAPEX (+/- % change)**

**Anticipated forward trend for CAPEX (+/- % change)**

**Water-related OPEX (+/- % change)**

**Anticipated forward trend for OPEX (+/- % change)**

**Please explain**

In 2018, Xylem Corporate started funding large CAPEX projects related to sustainability projects (e.g. Hydroinfinity and closed loop water systems installations and LED lighting upgrades). The first funding of \$1M USD was made available to facilities in water scarce locations and facilities with higher water use.

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 Aqueduct Tool to conduct sensitivity analysis to determine a level of water stress at each facility; it provides specific analysis of the water quality and resilience risks at each facility, such as regulatory landscape, drought, flood, and groundwater risks. The tool allows to also consider future water-stress scenarios as influenced by climate change. Xylem uses these analyses and actual water withdrawal to set water reduction goals and uses a risk-based approach to the allocation of resources for water projects consistent with our water intensity reduction goal. Water withdrawal is tracked through an online metrics tool called Eco Project Deck and reported and reviewed at the facility level. 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 year.

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 (RCP4.5, RCP 8.5, and CMIP5 via the WRI Aqueduct Tool) RCP4.5, RCP 8.5, and CMIP5 via the WRI Aqueduct Tool	In 2018, Xylem identified 43 facilities, out of more than 350 facilities, that are at extremely high physical risk to the quantity or quality of water, by 2020. Two are in the arid & low water use category already.	Xylem uses the Aqueduct analysis along with actual water consumption at each facility 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 Eco Project Deck. 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 year.

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 Activity level specific targets and/or goals Site/facility specific targets and/or goals Brand/product 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 used 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, since 2018, 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 facility 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 tracking tool called Eco Project Deck. 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 are aligned with the UN SDGs and UN Global Compact Principles.; Particularly recognizing that we can have the biggest impact through the use of our products, we introduced new goals related to the use of our products with a target year of 2025.

**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 2018, we reached an intensity reduction of 16.6%

**Quantitative metric**

% reduction per revenue

**Baseline year**

2014

**Start year**

2015

**Target year**

2019

**% achieved**

66.4

**Please explain**

In 2019, Xylem recalculated its previous water footprint. One site had to be added, while two other sites had significantly under-reported their water use. While we had previously reported 414.5 ML of water usage and a 16.7% reduction in water intensity in 2017, more accurate data extracted in 2019 revealed a water usage of 437.5 ML and an intensity reduction of 12% over 2014. The data for 2018 follow this updated approach. Xylem is hence encouraged by the continued progress made in 2018 towards our goal, which reflects a 16.6% reduction over 2014. This performance is thanks to capital investment and several tools, including: • The Eco Project Deck used at all of our facilities to identify areas for improvement • The Aqueduct Water Risk Atlas, used to determine which Xylem sites are located in water-stressed or water-scarce areas

**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.

**Quantitative metric**

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

**Baseline year**

2014

**Start year**

2015

**Target year**

2020

**% achieved**

83.3

**Please explain**

We increased our Vitality Index 2020 goal from 25 percent to 30 percent following the acquisition of Sensus in 2016, and we are pleased with our progress toward that goal. At the end of 2018, the Vitality Index was 25 percent, up 4 percent from 2017. Improving our Vitality Index is not only an indicator of how well we are meeting customer needs, but it also means we are successfully selling products that are more sustainable, as new products are almost always more energy-efficient.

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**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**

Xylem Watermark launched a service-focused employee engagement program in 2016, a three-year commitment, in support of this mission with a goal of logging 100,000 volunteer hours by the end of 2018. This year's achievement brings the number of volunteer hours to over 110,940 (i.e. 125% to goal) volunteer hours with 45% of the employee base participating in volunteer efforts.

**Quantitative metric**

Other, please specify (Employee contributions &amp; volunteer hours)

**Baseline year**

2016

**Start year**

2016

**Target year**

2018

**% achieved**

100

**Please explain**

In 2018, the final year of our target, we made significant progress. We logged another 53,600+ hours to bring us to 99,600+ hours at the conclusion of our pledge. The hours logged in 2018 represent a 33% increase over 2017.

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**Target reference number**

Target 4

**Category of target**

Water use efficiency

**Level**

Business activity

**Primary motivation**

Commitment to the UN Sustainable Development Goals

**Description of target**

Reduce over 3.5 billion m3 of non-revenue water, equivalent to the domestic water use needs of over 55 million people annually (component of our water savings Signature Goal) We will leverage digital technologies to help reduce water losses from broken infrastructure, faulty meters or unauthorized use (non-revenue water), making water more accessible and affordable for all.

**Quantitative metric**

Other, please specify (• Absolute reductions in real water losses through the use of our products)

**Baseline year**

2018

**Start year**

2019

**Target year**

2025

**% achieved**

0

**Please explain**

This target has just been announced, and progress hasn't been measured yet.

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**Target reference number**

Target 5

**Category of target**

Water recycling/reuse

**Level**

Business activity

**Primary motivation**

Commitment to the UN Sustainable Development Goals

**Description of target**

Treat 13 billion m3 of water for reuse, equivalent to the domestic water use needs of over 197 million people annually (component of water savings Signature Goal)

**Quantitative metric**

Other, please specify (Absolute volumes of water treated through the use of our products )

**Baseline year**

2018

**Start year**

2019

**Target year**

2025

**% achieved**

0

**Please explain**

This target has just been announced, and progress hasn't been measured yet.

---

**Target reference number**

Target 6

**Category of target**

Water pollution reduction

**Level**

Business activity

**Primary motivation**

Commitment to the UN Sustainable Development Goals

**Description of target**

Prevent over 7 billion m3 of polluted water from flooding communities or entering local waterways.

**Quantitative metric**

Other, please specify (Absolute volumes sewage overflow prevented through the use of our products )

**Baseline year**

2018

**Start year**

2019

**Target year**

2025

**% achieved**

0

**Please explain**

This target has just been announced, and progress hasn't been measured yet.

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**Target reference number**

Target 7

**Category of target**

Water, Sanitation and Hygiene (WASH) services in the workplace

**Level**

Business activity

**Primary motivation**

Commitment to the UN Sustainable Development Goals

**Description of target**

Provide access to clean water and sanitation solutions for at least 20 million people living at the base of the global economic pyramid.

**Quantitative metric**

Other, please specify (Number of people for whom access to clean water and sanitation has been provided )

**Baseline year**

2018

**Start year**

2019

**Target year**

2025

**% achieved**

0

**Please explain**

This target has just been announced, and progress hasn't been measured yet.

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## W8.1b

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

#### Goal

Other, please specify (Position Xylem as a leading advocate for sustainable water policy worldwide)

*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

Xylem provides technology and market expertise to inform policy making on key water issues. For example, in 2018, Xylem Europe supported the refit and development of several EU water-related legislations.

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#### 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.

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## W9. Linkages and trade-offs

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### W9.1

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#### (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

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**(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." This affects both our own operations as well as our value chain.

**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. In 2019, we added additional targets, as discussed in our latest Sustainability Report. We are 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. To read the report, click here. 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

**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	2018 total water withdrawal = 458.5 megaliters.	ISAE3000	ERM Certification and Verification Services (ERM CVS) provided limited assurance in relation to specified 2018 environmental and safety data presented in the 2018 Xylem Sustainability Report (page 42). The 2018 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

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

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

## W11.2

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(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

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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