

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

Xylem, with 2017 revenue of \$4.7 billion and approximately 16,200 employees, is a leading global water technology company. We design, manufacture and service highly engineered solutions ranging across a wide variety of critical applications primarily in the water sector. Our broad portfolio of solutions addresses customer needs across the water cycle, from the delivery, measurement and use of drinking water to the collection, test and treatment of wastewater to the return of water to the environment. We have differentiated market positions in core application areas including transport, treatment, test, smart metering, smart infrastructure analytics, condition assessment and leak detection, building services and industrial processing.

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

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

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

- Respect for internationally proclaimed human rights and working conditions, and for the environment
- Responsibility for how our activities, products and services affect people and the environment
- Integrity for acting ethically and living up to our Code of Conduct
- Creativity to develop innovative energy and water efficient solutions

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Row 1	January 1 2017	December 31 2017	No	<Not Applicable>
Row 2	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Row 3	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Row 4	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

C0.3

(C0.3) Select the countries/regions for which you will be supplying data.

Argentina
Australia
Austria
Belgium
Brazil
Canada
Chile
China
China, Hong Kong Special Administrative Region
Colombia
Denmark
Finland
France
Germany
Hungary
India
Ireland
Italy
Japan
Malaysia
Mexico
Netherlands
New Zealand
Norway
Panama
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

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

USD

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.

Operational control

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Board/Executive board	The Xylem Board is led by an independent Chair, allowing our CEO to focus on running day-to-day operations. This leadership structure strengthens the Board's role in risk oversight, including the risks and opportunities related to climate change and water. The Board of Directors provides oversight of our sustainability strategy and oversees our risk management processes and policies. The Board has delegated certain responsibilities to designated Board Committees that report to the full Board. The Audit Committee monitors the company's overall risk assessment and risk management program, including accounting, controls and financial disclosures. The Board's Nomination & Governance Committee is responsible for reviewing the Company's sustainability; business continuity and disaster recovery' and environmental, safety, health & security programs; along with related activities. Both Committees and the full Board discuss climate- and water-related issues with management on an ongoing basis.

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Please explain
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Setting performance objectives Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues	As a water technology company, Xylem's long-term business objectives hinge on the understanding and planning for macro-economic trends regarding water and climate issues. Our business strategy, including M&A, risk management, reputation, and R&D 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. Climate 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 R&D 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 climate and realized or potential climate-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.

C1.2

(C1.2) Below board-level, provide the highest-level management position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on climate-related issues
Chief Executive Officer (CEO)	Both assessing and managing climate-related risks and opportunities	More frequently than quarterly

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored.

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.

Sustainability isn't just an initiative at Xylem; it's our core business strategy, and it drives our employees to come to work each day with a common purpose and passion – to redefine and advance the world's water systems and, in doing so, to improve the lives of people around the globe. As the world's climate changes, water issues are intensifying around the globe – demanding new and bold solutions. For Xylem, the planet's climate-related water challenges provide opportunities for us to address and overcome them.

Our senior leadership team members, under the direction of our President and CEO Patrick Decker, lead businesses, sales teams and functional areas with the intent of building an enduring and successful company. Increasingly, our businesses are better integrating sustainability – such as climate change mitigation and adaptation solutions – into their strategies to accelerate innovation, sell our products and services, and grow our business. Ultimately, our growth strategies are designed to position Xylem as a leader in the global water technology space. In his role as CEO, Patrick Decker has ultimate responsibility for aligning Xylem's long-term business strategy with climate-driven market conditions in the water technology industry.

The CEO's approach to climate-related issues is informed by Xylem's Climate Change Policy, which defines our climate change approach across product development, operations, employees and external engagement. This approach is also applied to our M&A strategy, which is led by our CEO and focused on key growth areas that can advance our ability to have a positive impact on climate-related issues. For example, in the past two years, we have completed several acquisitions in the broad category of systems intelligence, bringing best-in-class advanced metering infrastructure, advanced data analytics and software development capabilities to our portfolio. We are also focused on increasing our capabilities in the areas of advanced industrial water treatment and industrial water services. Additionally, the CEO provides updates on climate-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, heat and security programs; along with related activities.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

Yes

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues.

Who is entitled to benefit from these incentives?

Corporate executive team

Types of incentives

Monetary reward

Activity incentivized

Efficiency target

Comment

At Xylem, sustainability is at the very center of who we are and what we do. As a leading global water technology company, we deal with one of the world's most urgent sustainability issues on a daily basis - responsible stewardship of our shared water resources. We believe that technology is a key link in how the world can solve water. We're focusing on the powerful capabilities of smart technology, integrated management and big data. These solutions will allow us to transport, treat, test and use water smarter - and more sustainably - than in the past. A significant portion of our executive pay is performance-based and not guaranteed (see page 2 of Proxy). In 2017, we delivered on our shareholder commitments and overall internal targets, which impacted our performance-based compensation payout. Our top strategic priorities included: Enhance Commercial Leadership, Grow Emerging Markets, Strengthen Innovation & Technology, Build a Continuous Improvement Culture, and Cultivate Leadership and Talent Development. Our Sustainability Goals, such as Increase Our Vitality Index to 30% by 2020 to drive product innovation and efficiency, fall under these top strategic priorities, and therefore are connected to our CEO and NEO performance-based pay.

Who is entitled to benefit from these incentives?

All employees

Types of incentives

Other non-monetary reward

Activity incentivized

Energy reduction target

Comment

We're making significant progress, from identifying our highest-emitting activities to engaging employees across our company to adopt a more energy-efficient mindset—all of which will help move us closer to achieving our GHG intensity goal. Some of our most successful initiatives to engage employees in energy-reduction efforts have been "Energy Treasure Hunts" at selected facilities. During these events, cross-functional teams of employees identify possible day-to-day energy efficiency improvements. The goal is to find opportunities to reduce energy use, costs and greenhouse gas emissions related to energy. Treasure Hunts have been conducted at 31 Xylem sites around the world, starting with our highest resource-consuming facilities. In 2017, we began using Eco Project Deck, a software that allows us to track all projects from Treasure Hunts, from the simple to the most complex. Through Eco Project Deck, we've determined that our energy Treasure Hunts have led to 128 recommended projects, 66 percent of which are underway. Through 2017, the projects are expected to avert 800 tons of CO2 emissions and save 955,000 kilowatt hours. We also estimate a reduction of 3,000 liters of liquid fuels and 2,000 cubic meters of natural gas. To recognize teams and individuals who demonstrate our mission of sustainable progress and help us achieve our Sustainability Goals – including through Treasure Hunts – we created the Xylem Sustainability Excellence Awards. Eligible to all employees, as well as external partners working with Xylem employees, Sustainability Excellence Awards are awarded annually for two categories: • Product/Service/Solution that best delivers sustainability excellence to our business and our customers • Operational or business process excellence that best demonstrate the pursuit of sustainability

C2. Risks and opportunities

C2.1

(C2.1) Describe what your organization considers to be short-, medium- and long-term horizons.

	From (years)	To (years)	Comment
Short-term	0	3	
Medium-term	3	5	
Long-term	5	10	

C2.2

(C2.2) Select the option that best describes how your organization's processes for identifying, assessing, and managing climate-related issues are integrated into your overall risk management.

Integrated into multi-disciplinary company-wide risk identification, assessment, and management processes

C2.2a

(C2.2a) Select the options that best describe your organization's frequency and time horizon for identifying and assessing climate-related risks.

	Frequency of monitoring	How far into the future are risks considered?	Comment
Row 1	Annually	>6 years	We conduct robust risk assessments to gauge possible risk factors facing our business, from issues such as supply chain disruptions, damages or disturbances to IT and adverse economic conditions. A disclosure of risk factors is available in our annual 10-k filing. Our enterprise risk management (ERM) document is reviewed by top executives and our board on a semi-annual basis, and includes feedback gleaned from a) a survey of the company's top 120 leaders and b) periodic risk interviews conducted of "Risk Owners", the individuals with executive responsibility for managing the enterprises' top 31 risks. We are also taking a forward-looking and proactive approach to risk avoidance in key areas throughout our company through business continuity planning, IT disaster recovery planning, IT protection systems, emergent risk evaluations, updates of our EHS program and through performance-based incentives to deter excessive risk-taking.

C2.2b

(C2.2b) Provide further details on your organization's process(es) for identifying and assessing climate-related risks.

Xylem's risks, including climate- and water-related risks, are managed through a comprehensive ERM Program with a 5-part framework: Risk Appetite & Strategy, Governance & Organization, Policies and Procedures, Risk Management Process, and Monitoring & Reporting. The Program establishes practical and sustainable policies, procedures and processes that help the Company monitor, govern, prioritize and manage risk effectively.

Xylem's ERM Program includes an 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 then assigned a score for a) severity of impact, b) likelihood of occurring, c) preparedness of controls / vulnerabilities, and d) speed of onset, and placed on a heat map to understand its relative importance. 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 reviewed and updated quarterly to determine how each primary risk's residual risk has changed (increase, decrease or no change). New primary risks may be added during this quarterly review. When identifying or assessing climate-related risks, 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 ERM Program is led by an Enterprise Risk Committee (ERC), chaired by Xylem's Senior Director of Enterprise & Global Risk Management, and which includes the CFO and executives from Treasury, Risk Management, Legal, Finance, Operations, Marketing and IT. The VP of Internal Audits and the VP of Strategy have standing invites. The ERC's responsibilities include, but are not limited to: a) establishing and maintaining the risk management framework, b) ensuring that all critical risks are identified and managed on an ongoing basis, c) reviewing the results of the annual Enterprise Risk Assessment, d) fostering a risk management culture and discipline necessary to achieve the Company's objectives, e) defining the organization's risk profile based on the results of the annual Risk Assessment and the Company's strategic objectives, and f) scanning the Company's ecosystem to identify emerging risks. Risks are considered more than six years into the future. Xylem's ERM Program is audited by the Internal Audit Department, which reviews the Program and its effectiveness, and tests selected risks.

The ERC reports findings and status of risks to Xylem's Senior Leadership Team, Audit Committee and Board of Directors, who have ultimate oversight and responsibility for risk assessment, management processes and policies.

C2.2c

(C2.2c) Which of the following risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Our manufacturing operations worldwide are subject to many requirements under environmental laws. In the United States, the Environmental Protection Agency and similar state agencies administer laws and regulations concerning air emissions, water discharges, waste disposal, environmental remediation, and other aspects of environmental protection. Such environmental laws and regulations in the United States include, for example, the federal Clean Air Act, the Clean Water Act, the Resource, Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act. Environmental requirements significantly affect our operations. We have established an internal program to address global compliance with applicable environmental requirements. Compliance risk is considered as part of our semi-annual ERM process, as described in C2.2b.

	Relevance & inclusion	Please explain
Emerging regulation	Relevant, always included	Unforeseen environmental issues could impact our financial position or results of operations. Our operations and products and offerings are subject to and affected by many federal, state, local and foreign environmental laws and regulations. In addition, we could be affected by future environmental laws or regulations, including, for example, those imposed in response to climate change concerns. Compliance with current and future environmental laws and regulations currently require and is expected to continue to require operating and capital expenditures. Environmental laws and regulations may authorize substantial fines and criminal sanctions as well as facility shutdowns to address violations and may require the installation of costly pollution control equipment or operational changes to limit emissions or discharges. We also incur, and expect to continue to incur, costs to comply with current environmental laws and regulations. Developments such as the adoption of new environmental laws and regulations, stricter enforcement of existing laws and regulations, violations by us of such laws and regulations, discovery of previously unknown or more extensive contamination, litigation involving environmental impacts, our inability to recover costs associated with any such developments, or financial insolvency of other responsible parties could in the future have a material adverse effect on our financial position and results of operations. Due to the nature of these risk, as described here, risk associated with emerging regulation is always included in our ERM process, as described in C2.2b.
Technology	Relevant, always included	Our competitors or third parties from outside of our industry may develop disruptive technologies or products that are superior to our products or may develop more efficient or effective methods of providing products and services or may adapt more quickly than we do to new technologies or evolving customer requirements. The failure of our technologies or products to maintain and gain market acceptance due to more attractive offerings could significantly reduce our revenues and adversely affect our competitive standing and prospects. Pricing pressures also could cause us to adjust the prices of certain products to stay competitive, which could adversely affect our financial performance. Failure to continue competing successfully or to win large contracts could adversely affect our business, financial condition or results of operations. As these risks have significant and fundamental impact on our profitability and ability to compete technology risk is always included in our ERM process, as described in C2.2b.
Legal	Relevant, always included	We are subject to various laws, ordinances, regulations and other requirements of government authorities in foreign countries and in the United States, any violation of which could potentially create substantial liability for us and also damage to our reputation. Changes in laws, ordinances, regulations or other government policies, the nature, timing, and effect of which are uncertain, may significantly increase our expenses and liabilities. We keep abreast of these emerging legal issues, such as litigation claims through our ERM process and by our various legal and regulatory compliance teams. There were no climate-related litigation claims in 2017.
Market	Relevant, always included	We are exposed to market risk, primarily related to foreign currency exchange rates and interest rates. These exposures are actively monitored by management and always included in our ERM process, as described in C2.2b. Our exposure to foreign exchange rate risk is due to certain costs, revenue and borrowings being denominated in currencies other than one of our subsidiaries functional currency. Similarly, we are exposed to market risk as the result of changes in interest rates which may affect the cost of our financing. It is our policy and practice to use derivative financial instruments only to the extent necessary to manage exposures.
Reputation	Relevant, always included	We are exposed to various product, regulation and physical risks, which could potentially damage our reputation. Product recalls, removals and product liability and quality claims can result in significant costs, as well as negative publicity and damage to our reputation that could reduce demand for our products and have a material adverse effect on our business, financial condition and results of operations. In addition, Xylem is subject to various laws, ordinances, regulations and other requirements of government authorities in foreign countries and in the United States, any violation of which could potentially create substantial liability for us and also damage to our reputation. Finally, while Xylem is not directly dependent on large quantities of water for our operations, as a water technology company, lack of proactive management of our energy and water footprints and climate risk could damage our reputation and reduce demand for our products.
Acute physical	Relevant, always included	If our facilities or operations were to be disrupted as a result of a significant equipment failure, natural disaster, power outage, fire, explosion, terrorism, cyber-based attack, labor disputes, work stoppages or slowdowns, adverse weather conditions or other reason, our financial performance could be adversely affected as a result of our inability to meet customer demand. Interruptions could increase our costs and reduce our sales. Any interruption in capability could require us to make substantial capital expenditures to remedy the situation, which could negatively affect our profitability and financial condition. Any recovery under our insurance policies may not offset the lost sales or increased costs that may be experienced during the disruption of operations, which could adversely affect our business, financial condition and results of operations. Weather conditions and climate changes may adversely affect, or cause volatility in, our financial results. Weather conditions, including heavy flooding, droughts and fluctuations in temperatures or weather patterns, including as a result of climate change, can positively or negatively impact portions of our business. Within the dewatering space, pumps provided through our Godwin and Flygt brands are used to remove excess or unwanted water. Heavy flooding due to weather conditions drives increased demand for these applications. On the other hand, drought conditions drive higher demand for pumps used in agricultural and turf irrigation applications, such as those provided by our Goulds Water Technology and Lowara brands. Fluctuations to warmer and cooler temperatures result in varying levels of demand for products used in residential and commercial applications where homes and buildings are heated and cooled with HVAC units such as those provided by our B&G brand. Given the unpredictable nature of weather conditions and climate change, this may result in volatility for certain portions of our business, as well as the operations of certain of our customers and suppliers. Due to the nature of this risk, acute physical risk is always considered in our ERM process, as described in C2.2b.
Chronic physical	Relevant, always included	Water and our climate are deeply intertwined. According to research by the Intergovernmental Panel on Climate Change (IPCC), climate change will intensify risks associated with water availability and quality. Climate change will exacerbate the water challenges that lie at the heart of Xylem's work. Using the Global Water Tool developed by the World Business Council for Sustainable Development, we conducted a water risk analysis for 270 sites (>90% of sites) in 2016. As a part of this analysis, we mapped our facilities to global water basins, determining 114 facilities are located in areas with less than 1700 m3/(person*year) of water available. Of these facilities, we've further determined we have one facility with an extremely high level of overall water risk (Chiclayo, Peru). This could result in increased operating costs due to inadequate water supply for our operations.
Upstream	Relevant, sometimes included	The most significant environmental impacts of our supply chain are the result of goods transportation and travel. A newly established relationship with a global travel provider and preferred transportation supply base provides us with a platform to optimize our spend, streamline tools and processes and greatly improve the customer experience. In addition, we expect all suppliers to adhere to our global sustainability standards and Supplier Code of Conduct, which include environmental responsibility. As part of our procurement process, any new Xylem supplier is required to align with our business standards in terms of product quality, process capabilities and sustainable actions. We have started implementing an audit process that prioritizes suppliers located in countries where human and labor rights issues could be a concern, and those located in water-stressed areas. Following an in-depth initial audit with a new supplier, we conduct selected and targeted follow-up audits, as well as random audits. We pilot sustainability audit program for suppliers in water-stressed basins and water footprint calculation tool for suppliers located in water-stressed basins.

	Relevance & inclusion	Please explain
Downstream	Relevant, always included	Our products are developed to apply according to EPD (ISO 14025) to avoid usage of "Banned and Restricted Substances" and most of all to provide sustainable operations for our customers in respect to use, reuse and discharge of water. In addition to the direct impact of our products, we always strive to reduce the environmental load of our customers through the collective role our products (i.e. energy efficient motors) play in the larger systems (e.g. aeration and treatment processes). Our goal is to continuously develop solutions containing the optimal mix of products and controls to reduce the load of the environmental impact of the total customer operations. These considerations are built into our Xylem Product Development process, XPD, which specifically integrates environmental sustainability considerations, including energy use and emission reductions, into product design. This, in part, is done to address climate-related downstream risk. Xylem has conducted life cycle assessments on 20% of our product, by revenue, which uncovers that the majority of emission impacts related to our products (and our business) occur during the use phase. Since our downstream risk and impacts are related to our products and technology, downstream risk is always considered as part of our ERM process, as described in C2.2b.

C2.2d

(C2.2d) Describe your process(es) for managing climate-related risks and opportunities.

Xylem understands that climate change risk is both a pure risk (potential for loss) as well as a speculative risk (opportunity for gain). As a water technology business, many of the world's climate-related strategies provide opportunities to our business.

In the 2017 10-K, we highlight physical risks, such as sensitivity to flooding, drought conditions & unpredictable fluctuations to warmer and cooler temperatures that all can drive volatility in portions of our business. We also highlight transition risks, such as the adoption of new environmental laws and regulations and inability to capitalize on innovative or disruptive technologies.

Xylem's risks, including climate- and water-related risks, are managed through a comprehensive ERM Program with a 5-part framework: Risk Appetite & Strategy, Governance & Organization, Policies and Procedures, Risk Management Process, and Monitoring & Reporting. The Program establishes practical and sustainable policies, procedures and processes that help the Company monitor, govern, prioritize and manage risk effectively. Risks are considered more than six years into the future and monitored quarterly. The ERM Program informs Xylem's business long-term business strategy. In addition to identifying, managing and mitigating our risks, the ERM Program helps inform our climate-related opportunities.

Our senior leadership team members, under the direction of our President and CEO Patrick Decker, lead businesses, sales teams and functional areas with the intent of building an enduring and successful company. Increasingly, our businesses are better integrating sustainability – such as climate change mitigation and adaptation solutions – into their strategies to accelerate innovation, sell our products and services, and grow our business. Ultimately, our growth strategies are designed to position Xylem as a leader in the global water technology space. In his role as CEO, Patrick Decker has ultimate responsibility for aligning Xylem's long-term business strategy with climate-driven market conditions in the water technology industry.

In his role as CEO, Patrick Decker has ultimate responsibility for aligning Xylem's long-term business strategy with climate-driven market conditions in the water technology industry. The CEO's approach to climate-related issues is informed by Xylem's Climate Change Policy, which defines our climate change approach across product development, operations, employees and external engagement. This approach is also applied to our M&A strategy, which is led by our CEO and focused on key growth areas that can advance our ability to have a positive impact on climate-related issues. For example, in the past two years, we have completed several acquisitions in the broad category of systems intelligence that yield transition opportunities, bringing best-in-class advanced metering infrastructure, advanced data analytics and software development capabilities to our portfolio. These technologies will continue to perform as companies, cities and countries put in place energy-efficient, IoT-connected, climate resilient infrastructure. We are also focused on increasing our capabilities in the areas of advanced industrial water treatment and industrial water services. As we test and employ these technologies at our own facilities, we further insulate our operations from physical risks, such as flooding and water stress.

The CEO provides updates on climate-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, heat and security programs; along with related activities.

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Transition risk

Primary climate-related risk driver

Policy and legal: Increased pricing of GHG emissions

Type of financial impact driver

Policy and legal: Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

Company- specific description

Our operations and products and offerings are subject to and affected by many federal, state, local and foreign environmental laws and regulations. We could be affected by future environmental laws or regulations, including, for example, those imposed in response to climate change concerns, which may require operating and capital expenditures. We foresee international agreements such as the UN Paris Agreement to eventually lead to increased regulatory burdens and operating costs. Various countries around the world have or are considering implementing electricity and fuel or CO2 related taxes. As part of our ERM process, we have identified “high risk” countries such as Denmark, Finland, Netherlands, Norway, Sweden, and the UK, where such regulation has been or is likely to be adopted. Our facilities may also become subject to GHG regulations, including carbon taxes, in additional countries where such regulations are in place, but not currently applicable to our facilities. These “medium risk” countries include the US, South Africa, Australia, New Zealand, Ireland, and throughout continental Europe. After conducting an assessment of the current market, Xylem believes the risks for carbon taxes are low for its facilities. In addition, though emissions from stationary combustion at Xylem facilities may be subject to cap and trade regulation, we believe the risks from these frameworks are low. In general, our facility-level direct GHG emissions from stationary combustion are low and do not meet the thresholds for participation, as such we believe our facilities are not likely to be subject to cap and trade regulation.

Time horizon

Short-term

Likelihood

About as likely as not

Magnitude of impact

Low

Potential financial impact

1500000

Explanation of financial impact

When Xylem was a division of ITT Corporation, ITT conducted a country-specific analysis on impact of carbon taxes and cap-and-trade regulation on its facilities. Costs of compliance with carbon taxes and cap-and-trade were determined to range from 0.2 to 1.5 million US\$ annually. Xylem has not yet conducted a separate sensitivity analysis as a stand-alone company, but understands and is aware of, from ITT's analysis, the financial impact of price and/or tax increases related to CO2e emissions.

Management method

We reduce our exposure to these risks by actively managing our GHG emissions in an effort to reach our goal of a 20% reduction in GHG emissions intensity by 2019. Lowering our emissions may reduce the likelihood of cap-and-trade regulations and carbon taxes increasing our tax burden. Electricity consumption is the largest contributor to GHGs associated with our operations which we aim to reduce by inspiring our global sites to make reductions in energy use and increase investments in renewable energy. We had identified our highest-emitting activities and rolled out emissions reduction activities, resulting in a 7.6% decrease in GHG emissions intensity from 2016 to 2017. We have also engaged employees on “Energy Treasure Hunts” to find energy and GHG reduction opportunities. These have been conducted at 31 Xylem sites internationally, starting with our highest resource-consuming facilities. They have led to 128 recommended projects, 29 of which will reduce GHG emissions, and 22 of which are underway. Through 2017, the projects are expected to avert 800 tons of CO2e and save 955,000 kilowatt hours. As of yearend 2017, 57 Xylem manufacturing facilities and sales offices purchased renewable electricity – up from 23 in 2016. To keep abreast with emerging regulatory requirements, we also include climate change as part of our semi-annual enterprise risk management process. We are a signatory to the American Business Act on Climate Pledge and have a climate change policy.

Cost of management

0

Comment

Many of these energy-saving projects are low- or no-cost improvements and relatively easy to implement, such as the installation of more efficient lighting and mechanical systems, ovens, motors, belts and drives, fans and pumps, refrigeration systems and office equipment. Of Xylem's has 29 GHG emissions projects, 22 of which are either complete or in progress, where monthly energy bills have been reduced, sometimes significantly. In 2017, Xylem facilities reduced their energy costs from these 22 projects alone by \$33,482.48. We anticipate this trend to continue as we implement the remaining seven projects in the future.

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Physical risk

Primary climate-related risk driver

Chronic: Other

Type of financial impact driver

Increased operating costs (e.g., inadequate water supply for hydroelectric plants or to cool nuclear and fossil fuel plants)

Company- specific description

Water and our climate are deeply intertwined. According to research by the Intergovernmental Panel on Climate Change (IPCC), climate change will intensify risks associated with water availability and quality. Moreover, the transport, treatment, and use of both clean water and wastewater are significant sources of GHG emissions. Climate change will exacerbate the water challenges that lie at the heart of Xylem's work. As a global water technology company, we actively manage our own water footprint and we work with our partners to increase water productivity, quality and resilience, resulting in direct and indirect benefits to climate change. 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 sites Sundbyberg, Sweden and Shenyang, China, are found to be in areas of extreme water scarcity. Even though Xylem is not dependent on large quantities of freshwater for production, should water cease as a source for these site, Xylem's production capacity would reduce, and cause a substantive financial impact on our business.

Time horizon

Long-term

Likelihood

About as likely as not

Magnitude of impact

Medium-low

Potential financial impact

376000000

Explanation of financial impact

The facilities located in Shenyang, China, and Sundbyberg, Sweden are considered "critical" Xylem sites as they each contribute to 4% or more of Xylem's overall revenue. Xylem's overall revenue in 2017 was 4.7 billion, therefore 8% would be 376 million.

Management method

Together with our climate change policy, our 25% reduction goal in water intensity by 2019 helps us manage our water consumption and reduce our exposure to these risks. We also signed the CEO Water Mandate in 2017. We have implemented a variety of projects at our facilities, such as rainwater collection for test tank use and recycled water use for landscaping and sanitation. We also equip our sites with our own energy and water saving technologies. 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. For example, at our Montecchio, Italy site in 2017, we closed the water loop for process and condition cooling through a new chiller instead of using groundwater which led to 50% reduction in water use. We also use tools such as the Eco Project Deck and Global Water Deck for our direct operations; and water footprint calculation tool and pilot sustainability audit program for suppliers in water-stressed basis.

Cost of management

483520

Comment

As a water technology company, Xylem is able to use our own products to reduce our water usage, and therefore, risk. We are planning to equip these facilities with our HydroInfinity Clean Water System, as well as Xylem closed loop waste water treatment systems. The cost is an estimate, as these projects have yet to begin, however the cost of installing a HydroInfinity System at the Montecchio site was \$241,760. The actual cost would likely be lower due to the smaller size of the Shenyang facility. The estimated payback period for a project of this scale is 2-9 years.

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Customer

Risk type

Transition risk

Primary climate-related risk driver

Market: Changing customer behavior

Type of financial impact driver

Market: Change in revenue mix and sources resulting in decreased revenues

Company- specific description

Weather conditions and climate changes may adversely affect, or cause volatility in, our financial results. Weather conditions, including heavy flooding, droughts and fluctuations in temperatures or weather patterns, including as a result of climate change, can positively or negatively impact portions of our business. Within the dewatering space, pumps provided through our Godwin and Flygt brands are used to remove excess or unwanted water. Heavy flooding due to weather conditions drives increased demand for these applications. On the other hand, drought conditions drive higher demand for pumps used in agricultural and turf irrigation applications, such as those provided by our Goulds Water Technology and Lowara brands. Fluctuations to warmer and cooler temperatures result in varying levels of demand for products used in residential and commercial applications where homes and buildings are heated and cooled with HVAC units such as those provided by our B&G brand. Given the unpredictable nature of weather conditions and climate change, this may result in volatility for certain portions of our business, as well as the operations of certain of our customers and suppliers.

Time horizon

Long-term

Likelihood

About as likely as not

Magnitude of impact

Medium-low

Potential financial impact

3425000000

Explanation of financial impact

Our business is impacted by an increasing amount of short cycle, and book-and-bill business, which we have limited insight into, particularly for the business that we transact through our distributors. We are also impacted by large projects, whose timing can change based upon customer requirements due to a number of factors affecting the project, such as funding, readiness of the project and regulatory approvals. As it is difficult to determine the potential financial impact of this risk, we have provided our 2017 revenue for our water infrastructure and applied water segments to provide a magnitude of this impact.

Management method

Our Research and development (R&D) efforts anticipate customer needs and emerging trends. Our engineers are involved in new product development and improvement of existing products to increase customer value. We have R&D and product development capabilities around the world. R&D activities are initially conducted in our technology centers, located in conjunction with some of our major manufacturing facilities to ensure an efficient and robust development process. We have several global technical centers and local development teams around the world where we are supporting global needs and accelerating the customization of our products and solutions to local needs. In some cases, our R&D activities are conducted at our piloting and testing facilities and at strategic customer sites. These piloting and testing facilities enable us to serve our strategic markets globally. We continue to increase our R&D investments as a percentage of revenue year over year, with 3.8% in 2017 when compared to 2.9% in 2016.

Cost of management

178866000

Comment

The cost of management is the 3.8% of total 2017 operating costs for R&D development. We anticipate this cost to continue, and

likely increase, as it has incrementally year over year from 2015 – 2017.

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Customer

Opportunity type

Products and services

Primary climate-related opportunity driver

Development of climate adaptation and insurance risk solutions

Type of financial impact driver

Increased revenue through new solutions to adaptation needs (e.g., insurance risk transfer products and services)

Company- specific description

The effects of climate change present serious water challenges for our planet and Xylem is well-positioned to provide climate adaptation solutions that address global water needs. Increased natural disasters will increase global demand for products and services needed during flood and drought response. Products such as our Godwin dewatering pumps help remove and/or redirect flood water. Our Goulds Water Technology and Lowara brands provide efficient pumps that help our customers weather drought conditions. Our Wedeco brand also provides wastewater recycling solutions that help mitigate drought risk. The threat of extreme weather events also increases the need to upgrade existing infrastructure to ensure reliable access to water in an emergency. As public and private organizations prepare for climate scenarios, the demand for Xylem's water, wastewater, and resiliency services will increase. Through brands including Essence of Life, Leopold and Wedeco, we provide efficient delivery and use of clean water and efficient and effective management of wastewater. Through brands such as Flygt, Godwin, and Pure Technologies, we help customers manage water-related risks and the resilience of water infrastructure. As the world transitions to a low-carbon economy, pressures to upgrade energy-intensive wastewater management systems will also increase. Xylem provides energy-saving solutions such as our Wedeco Duron UV disinfectant system that provides an energy-efficient alternative for wastewater treatment and our Flygt 4220 mixer that improves mixing efficiency in wastewater processing. The customer base for Equipment and Services (ES) in the water industry diverse. We serve a wide range of industries, including utilities supplying water through an infrastructure network; engineering, procurement and construction (EPC) firms working with utilities to design and build water and wastewater infrastructure networks; and others, such as farms, mines, power plants, industrial facilities and residential and commercial customers. Our customers also look to us for technology and application expertise to address physical impacts of climate change. For example, Xylem's YSI brand provides real-time water quality monitoring for the Mississippi river using a platform that can be replicated around the world.

Time horizon

Short-term

Likelihood

More likely than not

Magnitude of impact

Medium-high

Potential financial impact

270000000

Explanation of financial impact

Though it is difficult to determine the potential long-term financial impact climate change has on our revenue we estimate the total addressable market size of the global water industry to be approximately \$550 billion. In the short-term, we are positioned to capture favorable regulatory, demographic, and infrastructure conditions. Regulations continue movement toward environmental focuses, quality standards and energy efficiency, while demographics trend toward increased population and urbanization along with growth of the middle class in emerging markets. Further, as water scarcity becomes more prevalent and a changing climate leads to more extreme weather patterns, aging infrastructure becomes increasingly problematic. Due to these trends, we plan to capture organic growth of 4 to 6% by 2020, or approximately \$270 million.

Strategy to realize opportunity

A major driver of our strategy to realize this opportunity is to continue innovating new products that provide distinctive solutions for our customers' most important water productivity, quality and resilience challenges. We measure success of our innovation strategy through our Vitality Index, or the percentage of sales from products launched in the last five years. This metric enables us to continue meeting the needs of our customers as they adapt to change climate-related risks. To meet our target, we plan to increase our R&D investment up to 5% of revenue by 2020 (up from 2.6% of revenue in 2015). Based on 6% organic growth by 2020, this may yield an increased R&D spend of approximately \$235 million. Our goal is to improve product energy efficiency of specific Xylem product lines. As of 2017, we've increased product energy efficiency by 2.8% since 2012.

Cost to realize opportunity

235000000

Comment

Identifier

Opp2

Where in the value chain does the opportunity occur?

Customer

Opportunity type

Markets

Primary climate-related opportunity driver

Access to new markets

Type of financial impact driver

Increased revenues through access to new and emerging markets (e.g., partnerships with governments, development banks)

Company- specific description

Global macro trends, such as strengthening global environmental, climate change and water quality regulations are increasing the need for more efficient solutions. Population growth, urbanization and a growing middle class in emerging markets are boosting demand for clean water while putting strains on aging infrastructure. At the same time, the impacts of climate change are disrupting water supplies with intensifying water scarcity in many parts of the world, as well as flooding from a growing number of extreme weather events. These factors combine to produce a growing need for water and critical energy infrastructure solutions that are modern, efficient and resilient. Xylem is well-positioned to fulfill these long-term needs as our business strategy is built around creating technology-enabled solutions to increase water productivity, water quality and resilience. These factors are also increasing demand for advanced sensing technologies and data analytics. Our 2016 acquisition of Sensus enabled us to broaden our market reach into the broad category of systems intelligence, bringing best-in-class advanced metering infrastructure, advanced data analytics and software development capabilities to our portfolio. These technologies will continue to deliver value to Xylem as companies, cities and countries put in place energy-efficient, IoT-connected, climate resilient infrastructure.

Time horizon

Short-term

Likelihood

More likely than not

Magnitude of impact

Medium

Potential financial impact

12000000000

Explanation of financial impact

Due to challenges created by climate change, such as increased desire for energy and water efficiency is a factor, we foresee creating opportunities for growth in our measurement and control solutions (which includes advanced data sensing technologies and data analytics). It is difficult to determine the potential long-term financial impact climate change has on our revenue, however we estimate the global metering market to be approximately \$12 billion annually. Our 2017 revenue for our measurement and

control solutions was \$1,282 million. We plan for an organic growth of 6 to 7% CAGR by 2020.

Strategy to realize opportunity

In 2016, we acquired Sensus, a leading provider of smart meters, network technologies and advanced data analytics, with more than 80 million metering devices installed globally for \$1.7 billion. In 2017, we implemented an organizational redesign by moving Xylem's Analytics business from our Water Infrastructure segment to combine it with our Sensus and Visenti businesses to form our Measurement and Control Solutions business segment. We believe that the combination of these businesses will enhance our focus on advanced sensing technologies and will lead to operating efficiencies by integrating the supply chain process and moving to a leaner functional structure.

Cost to realize opportunity

1700000000

Comment

Identifier

Opp3

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Use of more efficient production and distribution processes

Type of financial impact driver

Reduced operating costs (e.g., through efficiency gains and cost reductions)

Company- specific description

Increasing attention to climate change is providing companies with a stronger business case to pursue voluntary energy efficiency, GHG reduction and renewable energy initiatives, such as our goal to reduce GHG emissions intensity by 20% by 2019 which we are on track to accomplishing with a 18.7% reduction (net of renewable energy) in 2017. To achieve this goal and reduce costs, we created a cross-functional team of procurement, environment, health and safety (EHS), and operations stakeholders to implement a comprehensive energy management program in 2016. This team worked with leading energy and sustainability management company, Engie to negotiate electricity and gas contracts, lock in low energy rates, optimize tax exemption status, and identify demand reduction opportunities. Engie's continuing work with Xylem will help the company achieve cost improvement, reduce GHG emissions, manage contract coverage in deregulated markets, and gain full transparency into energy spend.

Time horizon

Current

Likelihood

Virtually certain

Magnitude of impact

Medium

Potential financial impact

500000

Explanation of financial impact

Engie, formerly ECOVA was selected to help assist our operations achieve our GHG reduction goal and to implement a comprehensive energy management program. By negotiating electricity and gas contracts, locking in low energy rates, optimizing tax exemption status, and identifying demand reduction opportunities in just four months, Engie saved Xylem more than \$500,000 of annual expenditures.

Strategy to realize opportunity

To achieve our sustainability goals and reduce costs, we created a cross-functional team of procurement, environment, health and safety (EHS), and operations stakeholders to implement a comprehensive energy management program in 2016. This team worked with leading energy and sustainability management company, Engie to negotiate electricity and gas contracts, lock in low energy rates, optimize tax exemption status, and identify demand reduction opportunities. Engie's continuing work with Xylem will help the company achieve cost improvement, reduce GHG emissions, manage contract coverage in deregulated markets, and gain full transparency into energy spend. In our 2017 Global Supplier Conference, we recognized Engie for their outstanding service. We continue to work with Engie to reduce CO2 emissions; manage costs, contract coverage in deregulated markets; and gain full transparency into energy spend.

Cost to realize opportunity

0

Comment

As a part of Xylem's continuous savings opportunities program, Engie conducts comprehensive supply-side audits of our sites and our data and present us with the findings. Xylem does not incur a cost for this program. Identified savings are distributed between Xylem and Engie in a respective 70/30 split.

C2.5

(C2.5) Describe where and how the identified risks and opportunities have impacted your business.

	Impact	Description
Products and services	Impacted	Environmental elements, including energy and emission reduction, are in our corporate product development process, XPD, which has been rolled out to all of our businesses. XPD considers the use of hazardous material in our products, efficiency metrics, disassembly considerations, recyclability and other environmental factors. It is also a clear target for our development efforts to focus on reducing the environmental impact of our products (energy, water, emission). This is included in the objectives for the product development task and helps us address policy and legal risks (Risk 1), as identified in C2.3a. Xylem has conducted full Life Cycle Assessments (published corresponding EPDs) for 13 products representing approximately 20% of the total 2017 revenues. These LCAs/EPDs are based on PCR 2011:22 and ISO 14025:2006. Detailed life-cycle assessments (LCA) of our products show that most of our resource impact comes from the use of our products, hence our focus continues to be on product efficiency and energy usage. We measure the average product efficiency of our Flygt products (about 30% of our revenue but are the product family that consume most energy) and target year over year improvements. In 2017, the average efficiency of these product lines was 61.4%, slightly up from 61.2% in 2016. Our 2017 performance represents a 2.8% improvement since 2012. The total energy consumption of all the pumps produced in 2017, along their lifetime represents 54809 GWhr (Giga Watt Hour). The 0.2% energy efficiency improvement of the 2017 production represents a total reduction of environmental impact of 55 000 tons of CO2. Simplified Life Cycle Assessments are conducted through the use of an EHS Design Review form, internally created as part of XPD. The EHS Design Review form covers the different states in the products life cycle, such as raw materials, production, use end of life aspects. We're constantly looking to create new products that set the industry standard in efficiency. In 2017, we unveiled a new series of dewatering pumps under our Godwin brand. The Godwin S Series Dri-Prime pump reduces emissions by 90 percent, fuel consumption by 10% and reliability by 20%. The new Godwin series also features Xylem's unique Flygt N-Technology for more efficient wastewater transport. The pump offers self-cleaning reliability and sustained hydraulic efficiency.
Supply chain and/or value chain	Impacted	Our business relies on third-party suppliers, contract manufacturing and commodity markets to secure raw materials, parts and components used in our products, and we expect that reliance to increase. Parts and raw materials commonly used in our products include motors, fabricated parts, castings, bearings, seals, nickel, copper, 16 batteries, aluminum, and plastics. 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, labor disputes, the impaired financial condition of a particular supplier, suppliers' allocations to other purchasers, changes in tariff regimes, exchange rates and prevailing price levels, ability to meet regulatory requirements, weather emergencies or acts of war or terrorism. 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. To the extent that our investment in R&D and XPD process uncovers opportunities to develop products with alternative materials, our attempts to mitigate and avoid these risks (as described in C2.3a) impacts our upstream supply chain partners. Our products are developed to apply according to EPD (ISO 14025, avoid usage of "Banned and Restricted Substances" and most of all to provide sustainable operations for our customers in respect to use, reuse and discharge of water. In addition to the direct impact of our products, we always strive to reduce the environmental load of our customers through the collective role our products (i.e energy efficient motors) play in the larger systems (eg aeration and treatment processes). Our goal is to continuously develop solutions containing the optimal mix of products and controls to reduce the load of the environmental impact of the total customer operations.
Adaptation and mitigation activities	Impacted	Xylem helps mitigate the effects of climate change by providing products that aid customers in reducing their own environmental footprint by reducing their energy and other resource consumption needs, a critical management method to mitigate the risk to our business associated with the market risk fo changing customer behavior (Risk 3), as discussed in C2.3a. Our company also helps customers to adapt to the effects of climate change, strengthening their communities' resilience, particularly with regard to the increasing number of extreme weather events, such as flooding events and drought conditions. For example, Xylem's analytics products can help communities prevent or minimize the destruction of infrastructure when extreme weather events occur. The portfolio, which includes intelligent sensors, platforms and systems that measure water quality, level and flow, provides real-time information that can act as an early warning system to enable communities to prepare for emergent problems. In addition, our Godwin dewatering pumps are used to help remove and/or redirect unwanted water caused by natural disasters such as hurricanes or floods. Similarly, drought conditions drive higher demand for pumps used in agricultural and turf irrigation applications, such as those provided by our Goulds Water Technology and Lowara brands. We also provide treatment solutions to enable communities to recycle wastewater for direct and indirect potable water use. This includes 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. Water reuse is a proven solution that can help meet growing water demand, while safeguarding existing water supplies. Ultimately, our sustainability strategies are designed to position Xylem as a leader in the global water technology space.

	Impact	Description
Investment in R&D	Impacted	Research and development ("R&D") is a key foundation of our growth strategy and we focus on the design and development of products and application know-how that anticipate customer needs and emerging trends. Our ability to be successful in our R&D efforts is directly tied to the market risk of changing customer behavior (Risk 3), as discussed in C2.3a. Our engineers are involved in new product development as well as improvement of existing products to increase customer value. Our businesses invest substantial resources into R&D. We anticipate we will continue to develop and invest in our R&D capabilities to promote a steady flow of innovative, high-quality and reliable products and applications to further strengthen our position in the markets we serve. We continue to increase our R&D investments as a percentage of revenue year over year, with 3.8% in 2017 when compared to 2.9% in 2016 and 2.6% in 2015. We have R&D and product development capabilities around the world. R&D activities are initially conducted in our technology centers, located in conjunction with some of our major manufacturing facilities to ensure an efficient and robust development process. We have several global technical centers and local development teams around the world where we are supporting global needs and accelerating the customization of our products and solutions to local needs. In some cases, our R&D activities are conducted at our piloting and testing facilities and at strategic customer sites. These piloting and testing facilities enable us to serve our strategic markets globally.
Operations	Impacted	Our global manufacturing operations worldwide are subject to many requirements under environmental laws that are impacted by the risk of increased operating costs (Risk 2), as discussed in C2.3a. In the United States, the Environmental Protection Agency and similar state agencies administer laws and regulations concerning air emissions, water discharges, waste disposal, environmental remediation, and other aspects of environmental protection. Such environmental laws and regulations in the United States include, for example, the federal Clean Air Act, the Clean Water Act, the Resource, Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act. Environmental requirements significantly affect our operations. We have established an internal program to address compliance with applicable environmental requirements and, as a result, management believes that we are in substantial compliance with current environmental regulations. While environmental laws and regulations are subject to change, such changes can be difficult to predict reliably and the timing of potential changes is uncertain. We have R&D and product development capabilities around the world. R&D activities are initially conducted in our technology centers, located in conjunction with some of our major manufacturing facilities to ensure an efficient and robust development process. We have several global technical centers and local development teams around the world where we are supporting global needs and accelerating the customization of our products and solutions to local needs. In some cases, our R&D activities are conducted at our piloting and testing facilities and at strategic.
Other, please specify	We have not identified any risks or opportunities	Xylem has not identified any other risks or opportunities.

C2.6

(C2.6) Describe where and how the identified risks and opportunities have factored into your financial planning process.

	Relevance	Description
Revenues	Impacted	Our revenues are impacted by the risk of change in temperatures due to the varying levels of demand for products used in residential and commercial applications that are temperature dependent.. Homes and buildings are heated and cooled with HVAC units that use pumps made by some of the Xylem brands, including (PRODUCT EXAMPLES). Given the unpredictable nature of weather conditions due to climate change, this may result in volatility for certain portions of our business and for the operations of certain customers and suppliers
Operating costs	Impacted	Our operating costs are subject to fluctuations, particularly due to changes in commodity prices, raw materials, energy and related utilities, freight, and cost of labor. In order to remain competitive, we may not be able to recuperate all or a portion of these higher costs from our customers through product price increases. Further, in a declining price environment, our operating margins may contract because we account for inventory using the first in, first- out method. Actions we take to mitigate volatility in manufacturing and operating costs may not be successful and, as a result, our business, financial condition and results of operation could be materially and adversely affected. Risk 2, as discussed in C2.3a has direct implications on operating costs. In an effort to mitigate this risk, we continue to carry out "lean transformations" at our core manufacturing facilities with the aim to reduce energy consumption and reduce footprint, our Continuous Improvement organization has launched the following initiatives: 1. Global Footprint Optimization 2. Improvements within our Global Sourcing Strategies (both direct and indirect) 3. Productivity improvements improving OTD (On Time Delivery), Inventory Turns, and working capital 4. Product Simplifications efforts via SKU (Stock Keeping Unit) reductions, Value Engineering, and Global Design Standards These efforts have lead to a 3.5% reduction of COGS in 2017.
Capital expenditures / capital allocation	Not evaluated	Xylem has not yet evaluated risks and opportunities in capital expenditures
Acquisitions and divestments	Impacted	On October 31, 2016, we acquired all of the outstanding equity interests of Sensus Worldwide Limited (other than Sensus Industries Limited) ("Sensus") effective October 31, 2016 for \$1,766 million (\$1,710 million net of cash acquired), including a \$6 million payment in 2017 for a working capital adjustment. Sensus develops advanced technology solutions that enable intelligent use and conservation of critical water and energy resources. Sensus' major products include smart metering, networked communications, measurement and control technologies, software and services including cloud-based analytics, remote monitoring and data management. The Company acquired Sensus because it believes that, within its market category, its products have superior qualities and usefulness to customers. The Company also acquired Sensus on the strength of its developed technology that we plan to leverage across our existing base of products and customers, thus impacting the risk of changing consumer behavior (Risk 3), as discussed in C2.3a. As this acquisition, in part, enables us to reduce emissions within our products and increase the likelihood that our R7D investments will lead to commercially viable products, our decision to make this acquisition was impacted by these Risks 1 and 3, as identified in C2.3a. Additionally, in 2015, our Real Estate portfolio strategy and transaction management were centralized in order to drive best practices, leverage scale and realize productivity enhancements through the optimization of our footprint. Since that time, these strategies and process improvements have led to the consolidation of 71 rooftops and eliminated/downsized over 800K square feet, representing 20% reduction in rooftops and 8% reduction in square footage net of Mergers & Acquisitions additions. In addition to significant financial benefits and enabling operational synergies, each of these moves contributes favorably to the reduction of our carbon footprint, and therefore reduces cap and trade scheme risk.
Access to capital	Not evaluated	Xylem has not yet evaluated risks and opportunities in access to capital
Assets	Not evaluated	Xylem has not yet evaluated risks and opportunities in assets
Liabilities	Not evaluated	Xylem has not yet evaluated risks and opportunities in liabilities.
Other	Not evaluated	Xylem has not found any other evaluated risks and opportunities.

C3. Business Strategy

C3.1

(C3.1) Are climate-related issues integrated into your business strategy?

Yes

C3.1a

(C3.1a) Does your organization use climate-related scenario analysis to inform your business strategy?

No, but we anticipate doing so in the next two years

(C3.1c) Explain how climate-related issues are integrated into your business objectives and strategy.

Xylem is a world leader in water technology, providing equipment and services for water and wastewater applications with a broad portfolio of products and services that address the full cycle of water with sustainable solutions. Climate change both positively and negatively impacts portions of our business in several ways. According to research by the Intergovernmental Panel on Climate Change (IPCC), climate change will intensify risks associated with water availability and quality. Moreover, the transport, treatment and use of both clean water and wastewater are significant sources of greenhouse gas emissions. Xylem's Climate Change Policy outlines our commitment to developing mitigation and adaptation solutions to the water-related challenges associated with climate change through our products, operations, corporate citizenship and social investment, and stakeholder engagement.

Business strategy linked to an emissions reductions target or energy reduction target:

Xylem's Climate Change Policy outlines our climate change strategy on a corporate level, including a goal to reduce our GHG emissions intensity by 20% by 2019.

Additionally, Xylem helps mitigate the effects of climate change by providing products that aid customers in reducing their own environmental footprint by reducing their energy and other resource consumption needs. We measure our contribution to products and solutions that address a changing climate through two goals:

- Improve product energy efficiency of specific Xylem product lines; measured as increase in average product efficiency; and
- Increase Vitality Index (percentage of sales from products launched in the past five years) to 30% by 2020 to drive product innovation and efficiency (we increase our Vitality Index 2020 goal from 25% to 30% following the acquisition of Sensus).

At least one example of the most substantial business decision made as a result of the integration of climate-related issues:

In 2017, Xylem became a signatory to the UN CEO WATER MANDATE and issued a public statement of its unwavering commitment to the principles of the Paris Climate Accord. Xylem is well-positioned to fulfill the world's needs for a changing climate—including a growing number of extreme weather events and increasing water scarcity. We are optimizing the potential of our business and creating a sustainable enterprise through the following strategies:

- Accelerating Growth by prioritizing investments in key emerging markets, focused innovation and technology, commercial leadership and M&A. Our focus is on those investments that will generate long-term, sustainable growth for the benefit of our stakeholders.
- Driving Continuous Improvement to strengthen our Lean Six Sigma and global procurement capabilities and continue to optimize our cost structure through business simplification by eliminating structural, process and product complexity.
- Developing Leadership and Talent by focusing on employee development programs at various levels throughout the company. We also will continue to align individual performance to the objectives of the company and our shareholders.
- Focusing on Execution and Accountability by holding our colleagues accountable and streamlining our performance management and goal deployment systems.

Our focus on innovation and technology includes a significant increase in R&D investment to reach 5.0% of our revenue by 2020. This increase is in line with our sustainability goals of improving product energy efficiency and improving our Vitality Index.

From a M&A perspective, we expanded the scope of our business through the acquisition of Sensus, a leading provider of smart metrology, network communications technologies and advanced data analytics serving water, electric and natural gas utilities. This acquisition is an important milestone in Xylem's strategy to move our portfolio of solutions up the technology curve. Sensus has more than 80 million metering devices that are used for water, electric and natural gas applications installed globally. The addition of this business is enabling us to work more closely with all types of public service providers and other customers to deliver smarter solutions driven by data. We also acquired Visenti, a highly strategic acquisition that provides services for intelligently managing water networks. Both Sensus and Visenti help address the challenge of "non-revenue water"—or, treated water that is lost or not paid for due to leaks, theft or lack of effective metering. These technologies provide our customers to optimize their energy footprint by minimizing their resource footprint, avoiding major losses or catastrophic failure, and extending asset life.

C3.1g

(C3.1g) Why does your organization not use climate-related scenario analysis to inform your business strategy?

At Xylem, sustainability is at the center of who we are and what we do. We have the opportunity to embed sustainability throughout our business to not only impact our goal of solving water, but to safeguard and enhance the company's long-term growth. Climate change both positively and negatively impacts portions of our business. Increasingly, we are integrating climate change opportunity into our R&D and M&A strategies. Our products—such as highly-efficient water technologies, pumps and treatment solutions to use less energy and reduce life-cycle, and advanced hydrological monitoring equipment for our oceans and water bodies—are contributing to mitigating and adapting to a changing climate.

At a corporate level, climate change is embedded within our organizational governance, strategy, risk management, and metrics & targets. For instance, in 2017, Xylem became a signatory to the UN CEO WATER MANDATE and issued a public statement of its unwavering commitment to the principles of the Paris Climate Accord. In June 2017, we published a white paper entitled Building Resilience: Creating Strong and Sustainable Cities and Communities that outlines four categories of actions to increase the resilience of cities around the world: 1) ensuring water security; 2) strengthening critical infrastructure; 3) driving response and recovery; and 4) engaging community stakeholders.

We were therefore pleased to see the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) and anticipate fully implementing the TCFD recommendations, including conducting a climate-related scenario analysis.

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Intensity target

C4.1b

(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).

Target reference number

Int 1

Scope

Scope 1+2 (location-based)

% emissions in Scope

100

% reduction from baseline year

20

Metric

Metric tons CO2e per unit revenue

Base year

2014

Start year

2015

Normalized baseline year emissions covered by target (metric tons CO2e)

19.73

Target year

2019

Is this a science-based target?

No, but we anticipate setting one in the next 2 years

% achieved (emissions)

93.5

Target status

Underway

Please explain

As of 2017, Xylem achieved a 18.7% reduction in its net GHG emission intensity (i.e. including renewable energy) from 2015. This represents 93.5% of our 5-year goal. The 18.7% reduction was partly achieved by increasing our purchase of renewable energy. Compared to 2016, Xylem increased its usage of renewable electricity and natural gas by 57% in 2017. This project is on-going and we have already increased the number of Xylem facilities using renewable energy in Q1 and Q2 2018. While absolute emissions at legacy-Xylem have decreased due to our emissions reductions activities, absolute emissions overall have increased due to the acquisition of Sensus.

% change anticipated in absolute Scope 1+2 emissions

10

% change anticipated in absolute Scope 3 emissions

0

C4.2

(C4.2) Provide details of other key climate-related targets not already reported in question C4.1/a/b.

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

C4.3a

(C4.3a) Identify the total number of projects at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of projects	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	35	75.8
To be implemented*	36	2.2
Implementation commenced*	10	544.3
Implemented*	42	358.5
Not to be implemented	0	0

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Activity type

Energy efficiency: Building services

Description of activity

Lighting

Estimated annual CO2e savings (metric tonnes CO2e)

403

Scope

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in CC0.4)

261000

Investment required (unit currency – as specified in CC0.4)

0

Payback period

<1 year

Estimated lifetime of the initiative

6-10 years

Comment

The numbers presented above include 38 projects at multiple Xylem facilities worldwide.

Activity type

Energy efficiency: Building services

Description of activity

Other, please specify (Air compressors)

Estimated annual CO2e savings (metric tonnes CO2e)

107

Scope

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in CC0.4)

28500

Investment required (unit currency – as specified in CC0.4)

0

Payback period

<1 year

Estimated lifetime of the initiative

11-15 years

Comment

The numbers presented above include 9 projects at multiple Xylem facilities worldwide.

Activity type

Low-carbon energy installation

Description of activity

Solar PV

Estimated annual CO2e savings (metric tonnes CO2e)

0

Scope

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in CC0.4)

0

Investment required (unit currency – as specified in CC0.4)

0

Payback period

<1 year

Estimated lifetime of the initiative

11-15 years

Comment

We currently plan to install solar panels at 3 Xylem facilities. These projects are still in the investigation phase, explaining the lack of detailed information for the time being.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Dedicated budget for energy efficiency	Xylem Corporate has established a specific budget for Sustainability initiatives, including energy-efficiency projects.
Employee engagement	Xylem has implemented the Energy Treasure Hunt initiative, engaging employees to identify opportunities to reduce energy use, costs and greenhouse gas emissions related to energy. Xylem uses the Gensuite Eco-Project Deck to follow up each project.

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Group of products

Description of product/Group of products

As early as 2010, our Flygt brand set up a goal based on the average efficiency of sold products to measure progress on this specific priority (about 30% of our revenue, but the product family that consume most energy) and target year over year improvements. In 2017, the average efficiency of these product lines was 61.4 percent, slightly up from 61.2 percent in 2016. Our 2017 performance represents a 2.8 percent improvement since 2012. The total energy consumption of all the pumps produced in 2017, along their lifetime represents 54809 GWhr (Giga Watt Hour). The 0.2% energy efficiency improvement of the 2017 production represents a total reduction of environmental impact of 55 000 tons of CO2.. Our Flygt brand essentially comprises submersible pumps and mixers. In parallel, other Xylem brands such as Lowara have also put a strong focus on increasing their product efficiency.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (See speech bubble)

Average energy efficiency of selected product lines and set up of a goal to increase this number year by year. The difference in average energy efficiency is used as a basis for an estimation of avoided CO2 emissions.

% revenue from low carbon product(s) in the reporting year

30

Comment

One of Xylem's priorities is finding ways to make our products more energy efficient. Efficiency breakthroughs will not only help users save energy and decrease costs, but they will also help create a more sustainable planet. Our product development process includes a step in which we evaluate new products from a sustainability perspective — considering recyclability, use of less harmful materials, energy efficiency and other factors. By considering sustainability early in the design phase, we are better positioned to make products in a more energy- and cost-efficient manner — something that is not always possible later in the process.

Level of aggregation

Group of products

Description of product/Group of products

In 2017, we unveiled a new series of dewatering pumps under our Godwin brand. The Godwin S Series Dri-Prime pump reduces emissions by 90 percent and fuel consumption by 10 percent. Furthermore, in an industry first, it can be monitored and controlled from any smartphone, tablet or desktop computer, anywhere in the world. The new Godwin series also features Xylem's unique Flygt N-Technology for more efficient wastewater transport. The pump offers self-cleaning capability and sustained hydraulic efficiency.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (See speech bubble)

Average energy efficiency of selected product lines and set up of a goal to increase this number year by year. The difference in average energy efficiency is used as a basis for an estimation of avoided CO2 emissions.

% revenue from low carbon product(s) in the reporting year

0.01

Comment

Xylem announced the new Godwin NC150S Dri-Prime pump in October 2017. The first pump to be unveiled from Xylem's Godwin S Series of smart dewatering pumps - will offer Isuzu Final Tier 4 (FT4) engines as standard for customers in the U.S. market. The Godwin NC150S is equipped with Isuzu's 4LE2X industrial diesel engine - an advanced, powerful diesel engine that complies with the U.S. Environmental Protection Agency's (EPA) Final Tier 4 (FT4) requirements and has been shown to deliver significantly greater uptime and lower maintenance. As a result, the Godwin NC150S reduces total cost of ownership with emissions cut by 90 percent and fuel consumption by 10 percent on average. In 2017, sales of the Godwin S Series equated to 0.01% of our total revenue.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start

January 1 2014

Base year end

December 31 2014

Base year emissions (metric tons CO2e)

38333

Comment

Our Scope 1 includes stationary emissions (natural gas, LPG, fuel oil, cryogenic CO2, refrigerant leakage) from Xylem facilities and mobile sources from Xylem company cars and service vehicles.

Scope 2 (location-based)

Base year start

January 1 2014

Base year end

December 31 2014

Base year emissions (metric tons CO2e)

40819

Comment

Scope 2 (market-based)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Row 1

Gross global Scope 1 emissions (metric tons CO2e)

37325

End-year of reporting period

<Not Applicable>

Comment

2017 Scope 1 emissions include the Sensus, Tideland and Visenti organizations, acquired by Xylem in 2016, and which started reporting environmental metrics from January 2017.

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We have no operations where we are able to access electricity supplier emission factors or residual emissions factors and are unable to report a Scope 2, market-based figure

Comment

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Row 1

Scope 2, location-based

53258

Scope 2, market-based (if applicable)

<Not Applicable>

End-year of reporting period

<Not Applicable>

Comment

2017 Scope 1 emissions include the Sensus, Tideland and Visenti organizations, acquired by Xylem in 2016, and which started reporting environmental metrics from January 2017.

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

No

C6.5

(C6.5) Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status
Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Capital goods

Evaluation status
Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status
Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Upstream transportation and distribution

Evaluation status
Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Waste generated in operations

Evaluation status
Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO2e

9425

Emissions calculation methodology

In addition to operations, we also measure Scope 3 GHG emissions generated from business travel. The calculation comes from our global partner for travel management, and includes air travel, rental vehicles and use of hotels.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Explanation

As a leading global water technology company with sales in approximately 150 countries, we see business travel as a necessary component of our work, but we are committed to investing in innovative technologies and creative approaches to minimize the need for air travel. We will continue to seek to identify environmental impacts from our value chain and find ways to reduce them.

Employee commuting

Evaluation status

Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Upstream leased assets

Evaluation status

Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Downstream transportation and distribution

Evaluation status

Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Processing of sold products

Evaluation status

Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Use of sold products

Evaluation status

Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

End of life treatment of sold products

Evaluation status

Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Downstream leased assets

Evaluation status

Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Franchises

Evaluation status

Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Investments

Evaluation status

Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Other (upstream)

Evaluation status

Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Other (downstream)

Evaluation status

Not evaluated

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

C6.7

(C6.7) Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?

No

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure

0.00001925

Metric numerator (Gross global combined Scope 1 and 2 emissions)

90583

Metric denominator

unit total revenue

Metric denominator: Unit total

4706000000

Scope 2 figure used

Location-based

% change from previous year

20.8

Direction of change

Decreased

Reason for change

As of year-end 2017, 57 Xylem manufacturing facilities and sales offices purchased renewable electricity – up from 23 in 2016. Combined, these sites purchased 15,024 CO2-equivalent metric tons in renewable energy, electricity and gas during 2017, a 57 percent increase over the previous year.

C7. Emissions breakdowns

C7.1

(C7.1) Does your organization have greenhouse gas emissions other than carbon dioxide?

No

C7.2

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

Country/Region	Scope 1 emissions (metric tons CO2e)
Argentina	51.86
Australia	431.73
Austria	1144.77
Belgium	154.91
Brazil	15.05
Canada	526.96
Chile	287.3
China	241.51
Colombia	63.18
Denmark	478.33
Finland	61.33
France	1112.35
Germany	3487.23
Hungary	404.67
India	4.95
Ireland	156.88
Italy	2422.49
Japan	3.13
Mexico	180.39
Netherlands	67.47
New Zealand	95.75
Norway	504.84
Panama	17.53
Peru	33.05
Philippines	10.07
Poland	644.9
Portugal	81.33
Singapore	38.78
Slovakia	128.62
Spain	268.78
Sweden	874.68
United Kingdom of Great Britain and Northern Ireland	3662.51
United States of America	19657.64
China, Hong Kong Special Administrative Region	6.86
Uruguay	3.21

C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.
By business division

C7.3a

(C7.3a) Break down your total gross global Scope 1 emissions by business division.

Business division	Scope 1 emissions (metric ton CO2e)
Xylem USA and Switzerland Headquarters	0
Growth Centre Treatment	842.25
Growth Centre Transport	670.95
Growth Centre Dewatering	282.72
Growth Centre Applied Water Systems	6595.46
Commercial Team Europe	9536.62
Commercial Team Emerging Markets	494.7
Commercial Team Americas	14766.73
Growth Centre Measurement and Control Solutions	4135.61

C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh)
Argentina	134		361.32	0
Australia	910.81		1142.07	0
Austria	164.92		587.99	0
Belgium	16.55		83.05	0
Brazil	36.54		272.12	0
Canada	509.39		3215.45	0
Chile	465.37		965.91	0
China	5513.32		7642.8	0
Colombia	7.83		42.99	0
Denmark	153.48		447.15	264.65
Finland	8.72		49.92	0
France	89.07		1393.2	734.12
Germany	5723.47		11793.71	2824.98
Hungary	361		1233.74	0
India	617.09		779.7	0
Ireland	21.9		47.72	0
Italy	2910.47		8496.11	8191.65
Japan	25.61		44.81	0
Malaysia	190.92		275.45	0
Mexico	963.47		1904.45	0
Netherlands	137.1		303.23	303.23
New Zealand	13.91		89.39	0
Norway	17.3		2087.44	955.93
Panama	9.64		38.29	0
Peru	37.02		184.8	0
Philippines	352.35		610.72	0
Poland	2260.74		2941	2907.58
Portugal	14.08		50.04	0
Russian Federation	23.92		54.44	0
Singapore	101.1		221.94	0
Slovakia	390.08		1937.12	0
South Africa	599.05		647.71	0
South Korea	20.7		38.63	0
Spain	79.39		321.03	0
Sweden	671.06		53085.16	51381.07
Switzerland	1.96		81.87	81.87
United Arab Emirates	581.64		969.52	0
United Kingdom of Great Britain and Northern Ireland	1335.49		2912.7	346.74
Uruguay	2.33		18.75	0
United States of America	27746.45		58229.12	15413.65
China, Hong Kong Special Administrative Region	38.93		49.75	

C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

By business division

C7.6a

(C7.6a) Break down your total gross global Scope 2 emissions by business division.

Business division	Scope 2, location-based emissions (metric tons CO2e)	Scope 2, market-based emissions (metric tons CO2e)
Xylem USA and Switzerland Headquarters	39.01	
Growth Centre Treatment	1775.42	
Growth Centre Transport	1323.18	
Growth Centre Dewatering	276.72	
Growth Centre Applied Water Systems	19315.33	
Commercial Team Europe	1711.99	
Commercial Team Emerging Markets	6532.77	
Commercial Team Americas	4751.4	
Growth Centre Measurement and Control Solutions	17532.35	

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Increased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined) and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption		<Not Applicable>		
Other emissions reduction activities	79153	Decreased	1	Total GHG scope 1 and 2 2016 : 79,153 . Amount of mtCO2e emissions averted through energy treasure hunts: 80 mtons CO2 Percentage of reduction: $(80 / 79153) * 100\% = 1\%$
Divestment		<Not Applicable>		
Acquisitions	17560	Increased	22	Sensus, Visenti and Tideland acquisitions led to an increase of our Scope 1 and 2 gross emissions of 17,560 mtons CO2e. $(17560 / 79153) * 100\% = 22\%$ increase
Mergers		<Not Applicable>		
Change in output		<Not Applicable>		
Change in methodology		<Not Applicable>		
Change in boundary		<Not Applicable>		
Change in physical operating conditions		<Not Applicable>		
Unidentified		<Not Applicable>		
Other		<Not Applicable>		

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Location-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 10% but less than or equal to 15%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertakes this energy-related activity
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	Yes
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	Yes

C8.2a**(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.**

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	160222	160222
Consumption of purchased or acquired electricity	<Not Applicable>	83394	77239	160633
Consumption of purchased or acquired heat	<Not Applicable>	0	4959	4959
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	115	<Not Applicable>	115
Total energy consumption	<Not Applicable>	83509	242420	325929

C8.2b**(C8.2b) Select the applications of your organization's consumption of fuel.**

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	No
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	No

C8.2c**(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.****Fuels (excluding feedstocks)**

Diesel

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

79255

MWh fuel consumed for the self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self- cogeneration or self-trigeneration

<Not Applicable>

Fuels (excluding feedstocks)

Fuel Oil Number 1

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

6260

MWh fuel consumed for the self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self- cogeneration or self-trigeneration

<Not Applicable>

Fuels (excluding feedstocks)

Liquefied Petroleum Gas (LPG)

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

2

MWh fuel consumed for the self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self- cogeneration or self-trigeneration

<Not Applicable>

Fuels (excluding feedstocks)

Propane Gas

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

16

MWh fuel consumed for the self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self- cogeneration or self-trigeneration

<Not Applicable>

Fuels (excluding feedstocks)

Propane Liquid

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

2504

MWh fuel consumed for the self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self- cogeneration or self-trigeneration

<Not Applicable>

Fuels (excluding feedstocks)

Natural Gas

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

69173

MWh fuel consumed for the self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self- cogeneration or self-trigeneration

<Not Applicable>

Fuels (excluding feedstocks)

Petrol

Heating value

LHV (lower heating value)

Total fuel MWh consumed by the organization

3011

MWh fuel consumed for the self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self- cogeneration or self-trigeneration

<Not Applicable>

C8.2d

(C8.2d) List the average emission factors of the fuels reported in C8.2c.

Diesel**Emission factor**

0.00269

Unit

metric tons CO2e per liter

Emission factor source

www.ghgprotocol.org

Comment**Fuel Oil Number 1****Emission factor**

0.0027

Unit

metric tons CO2e per liter

Emission factor source

www.ghgprotocol.org

Comment**Liquefied Petroleum Gas (LPG)****Emission factor**

0.00152

Unit

metric tons CO2e per liter

Emission factor source

www.ghgprotocol.org

Comment

Natural Gas

Emission factor

0.00192

Unit

metric tons CO2e per m3

Emission factor source

www.ghgprotocol.org

Comment

Petrol

Emission factor

0.00231

Unit

metric tons CO2e per liter

Emission factor source

www.ghgprotocol.org

Comment

Propane Gas

Emission factor

0.00546

Unit

metric tons CO2e per m3

Emission factor source

www.ghgprotocol.org

Comment

Propane Liquid

Emission factor

0.00148

Unit

metric tons CO2e per liter

Emission factor source

www.ghgprotocol.org

Comment

C8.2e

(C8.2e) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.

	Total Gross generation (MWh)	Generation that is consumed by the organization (MWh)	Gross generation from renewable sources (MWh)	Generation from renewable sources that is consumed by the organization (MWh)
Electricity	115	115	115	115
Heat				
Steam				
Cooling				

C8.2f

(C8.2f) Provide details on the electricity, heat, steam and/or cooling amounts that were accounted for at a low-carbon emission factor in the market-based Scope 2 figure reported in C6.3.

Basis for applying a low-carbon emission factor

Energy attribute certificates, Guarantees of Origin

Low-carbon technology type

Wind

Hydropower

Biomass (including biogas)

MWh consumed associated with low-carbon electricity, heat, steam or cooling

83394

Emission factor (in units of metric tons CO₂e per MWh)

Comment _____

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 and/or Scope 2 emissions and attach the relevant statements.

Scope

Scope 1

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Xylem 2017 Assurance Statement_Issued_4_June_2018.pdf

Page/ section reference

Page 1

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope

Scope 2 location-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Xylem 2017 Assurance Statement_Issued_4_June_2018.pdf

Page/ section reference

Page 1

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope

Scope 3- at least one applicable category

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Attach the statement

Xylem 2017 Assurance Statement_Issued_4_June_2018.pdf

Page/section reference

Page 1

Relevant standard

ISAE3000

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

No, we do not verify any other climate-related information reported in our CDP disclosure

C11. Carbon pricing

C11.1

(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?

No, and we do not anticipate being regulated in the next three years

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

No

C11.3

(C11.3) Does your organization use an internal price on carbon?

No, and we do not currently anticipate doing so in the next two years

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our suppliers

Yes, our customers

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.**Type of engagement**

Compliance & onboarding

Details of engagement

Included climate change in supplier selection / management mechanism

% of suppliers by number

100

% total procurement spend (direct and indirect)

100

% Scope 3 emissions as reported in C6.5**Rationale for the coverage of your engagement**

We expect 100 percent of our suppliers to adhere to our global sustainability standards. As part of our procurement process, any new Xylem supplier is required to align with our business standards in terms of product quality, process capabilities and sustainable actions. During our Supplier capability assessment, we ask, "What actions are in place regarding the reduction of energy consumption and the emissions of greenhouse gases (GHGs)?" and rate their actions as "acceptable" or "not acceptable." We then summarize key areas for supplier improvement. Additionally, we began implementing a sustainability audit process that prioritizes suppliers located in countries where human and labor rights issues could be a concern, and those located in water-stressed areas.

Impact of engagement, including measures of success

Through these engagements, we ensure that all of the suppliers we work with conduct business in compliance with all applicable environmental laws and regulations. This minimizes environmental pollution, promotes an efficient use of natural resources and protects the environment. The Supplier must ensure compliance with product-related requirements and may be required to declare the material content and origin of products delivered to Xylem. Suppliers shall have environmental procedures in accordance with applicable elements in ISO14001 or equivalent standard.

Comment

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement

Education/information sharing

Details of engagement

Run an engagement campaign to educate customers about the climate change impacts of (using) your products, goods, and/or services

Size of engagement

100

% Scope 3 emissions as reported in C6.5

Please explain the rationale for selecting this group of customers and scope of engagement

As a global water technology company, we have the opportunity to address the many water challenges—including climate-related issues, such as access to freshwater and energy-efficiency in water infrastructure—our planet faces. Solving Water is a huge and vital undertaking that calls for collaboration and teamwork across our value chain. For customer and end users, we publish news about our products and services through a variety of media channels, original research, white papers and case studies, a customer-focused digital magazine, Making Waves, and a quarterly magazine, Mission: Water, which features stories about scientists, environmentalists and the various challenges they work to solve. For example, in the freely accessible Making Waves, a recently published article—Iceland stream warming study gives preview of climate change—we discuss how Xylem's YSI ProODO handheld dissolved oxygen meters were employed to study how global climate change could affect rivers and streams. In a recent Making Waves webinar—Urban Resilience Planning – How Ready Are You—also freely available at makingwaves.xylem.com, we provide case studies of how communities are designing resilient pump stations, creating early warning systems for flooding, and developing rapid response and recovery plans using Xylem solutions. We expand upon this notion of sustainable communities in our Building Resilience brochure. We identify key points to building resilience: ensuring water security, strengthening critical infrastructure, driving response and recovery and engaging community stakeholders. Around the world and over the years, Xylem has worked with cities and communities to manage water scarcity. Several case studies are mentioned in the brochure, such as using the Wedeco PDO ozone generators in Wichita, Kansas, to recharge aquifers through treated freshwater injections. By involving the public in resiliency decisions and planning, communities are empowered to withstand unexpected climate events that affect their livelihoods and access to water. Additionally, we provide customers the ability to earn complimentary CEU credits by successfully completing this online webinar.

Impact of engagement, including measures of success

The measure of success of our educational and information sharing programs are reflected in the increased reputation of our Company, number of visible leadership roles in industry organizations obtained and number of speaking engagement at industry thought leader events. The Making Waves platform has made an impact by providing informed, useful and industry-leading commentary on the world of water for more than 50 years. Due to its success in educating customers on the latest climate and water-related Xylem technologies, we have translated Making Waves into eight languages—English, Spanish, German, French, Italian, Portuguese, Swedish, and Chinese.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

- Direct engagement with policy makers
- Trade associations
- Funding research organizations
- Other

C12.3a

C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Other, please specify (Water Infrastructure)	Support	Xylem was selected to participate in the U.S. Department of Commerce's Smart Cities Infrastructure Business Development Mission to India. Representatives from Xylem and 18 other companies took part in this Smart Cities Infrastructure Business Development Mission, which included visits to New Delhi, Mumbai, Chennai and Vizag to explore opportunities for introducing or expanding the use of sustainable products and services in India.	India is the third largest economy in the world. With approximately 1.28 billion people, which is more than a sixth of the world's population, India has the second most populous country in the world, and is estimated to add another 500 million people to its urban population over the next 40 years. India's government has almost overwhelmingly focused on economic development and, as a result, has proposed a nationwide program to build 100 smart cities. A smart city is a city equipped with basic infrastructure to provide a decent quality of life, and a clean and sustainable environment through the application of some smart solutions. Monitoring water quality, treatment of wastewater, smart meters, renewable sources of energy, efficient green building and intelligent traffic management systems are some of the solutions of a smart city. For India, this means a wide variety of major infrastructure projects across the country will be funded by the central and state governments, as well as private sector capital, over the next few years. India's infrastructure needs are estimated to be in the \$1.5 to \$2 trillion range.
Other, please specify (Water Infrastructure)	Support	As global demand for water increases, the business as usual approach to European water resources will not meet the needs of citizens. Xylem, with the support of Kreab, have worked to create and support EU directives related to the water industry. In 2016, we engaged with providing content and feedback on drafts of legislative documents, participating and driving some work groups, speaking the voice of Xylem at the EWA conference, establishing relationships with key Member States and Commission officials.	Xylem has proposed a Circular Economy model be integrated into the EU water industry to preserve Europe's vital water resources. This model will promote water efficiency in the entire supply chain to create a holistic solution in the water sector. It will also promote water reuse as well as product innovation and cross-border markets.
Other, please specify (Water Infrastructure)	Support	Patrick Decker participated in the CEO Forum to discuss issues facing the global water sector, including the impact of globalization and the digital revolution, and share perspectives on the role of advanced technologies in advancing the water sector's migration to smart infrastructure .	Government officials, world organizations and industry leaders convened with the common goal of addressing global water challenges through policymaking and thought leadership. The session "Beyond Business-As-Usual: Enhancing Collaboration for Resilient and Sustainable Urban Water Management" explored how business and industry leaders can work together more effectively and overcome water challenges faced by cities worldwide.
Energy efficiency	Support	Xylem is a member of the trade association Europump. Markus Holmberg, from the Xylem Sundbyberg R&D Centre in Sweden, is currently chairing the Europump work group in charge of supporting the EU Commission to develop an energy efficiency regulation for wastewater pumps. Markus Holmberg is also a member of the Europump work group in charge of revising the current energy efficiency regulation on clean water pumps.	Europump promotes the improvement of the energy performance of all pump types by adequate measures at the different pump system levels: namely the product, extended product and system levels. Europump aims to provide policymakers with technological know-how to facilitate effective new legislation. A major example and case in point is the European Commission's review of Commission Regulation (EU) 547/2012 (lot 11 – water pumps), Ecodesign lots 28 (wastewater pumps), and 29 (other clean water pumps), taking place in 2016. For this Europump recommends adopting the 'Extended Product Approach'.

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Sump and Sewage Pump Manufacturers Association

Is your position on climate change consistent with theirs?

Unknown

Please explain the trade association's position

The Sump and Sewage Pump Manufacturers Association's mission is to represent the industry in a manner consistent with the highest standards of business practice and its obligations under law and regulation, by educating the industry, general public, and legislative and regulatory groups, in the proper application, use, installation, and maintenance of the products and services offered by its members. Although we are not aware of a SSPMA Climate Change Policy, the Association's focus on proper application, use, installation and maintenance of pumps would result in fewer GHG emissions from our customers in the use phase of our products. Therefore, this statement aligns with our desire to reduce GHG emissions for our customers by providing the most energy efficient equipment to our customers.

How have you, or are you attempting to, influence the position?

William Gell, of Xylem, is on the board of directors.

C12.3d

(C12.3d) Do you publicly disclose a list of all research organizations that you fund?

Yes

C12.3e

(C12.3e) Provide details of the other engagement activities that you undertake.

Xylem is a member of the Hydraulic Institute (HI) – the largest association of pump industry manufacturers in North America. The Institute offers a wide variety of programs and services, each tailored to member needs: standards development, networking opportunities, access to specific statistical data and economic reports, electronic services, educational materials, breaking industry news, participation in industry initiatives, and more.

Xylem has long-standing partnerships with many non-governmental organizations and government agencies, including the International Water Association, National Association of Environmental Management (NAEM), Ceres, Stockholm International Water Institute, UN Global Compact, Water Environment Federation and Singapore's Public Utilities Board, to name a few.

Xylem has also been a member of the UN Global Compact since 2002 and has committed to the UN Global Compact's 10 universally accepted principles which include a set of core values in the environmental area which encompass our approach to addressing climate change. In 2015, we finalized our Climate Change Policy, which outlines our commitment to develop 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. We plan to join the CEO Water Mandate program in 2017.

On World Water Day 2014, Xylem joined the US Water Partnership, which seeks to mobilize U.S.-based knowledge, expertise and resources to improve water security around the world, particularly in those countries most in need. The US Water Partnership views water as the catalyst for development – from global health to climate change, and food security to economic development. Like Xylem, the US Water Partnership is committed to solving water-related climate change challenges.

For more than seven years, in more than 20 countries across five continents, we have worked successfully with six global non-profit partners through our corporate citizenship and social investment program, Xylem Watermark. Xylem Watermark has strengthened the resilience of communities by providing safe water and sanitation solutions to more than two million people since the program was launched. In support of Xylem's mission to solve water, Watermark has responded to more than 15 water-related disasters with clean water and new water infrastructure. Xylem Watermark solutions are sustainable and collaborative, combining community-based efforts with regular monitoring to ensure projects meet local water needs for years to come.

In 2016, Xylem co-convened the "Disruptive Resilience: Chief Technology Officers (CTOs) Map America2030 Water Future" conference along with other national leaders in the water sector. This gathering facilitated a discussion of how to best leverage breakthrough technologies advances to transform how the nation's water

resources are managed in order to create a secure water future for the next century.

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

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

the water sector can maximize the benefits of the digital future.

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

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

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

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

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

The fact that we are a water technology business adds urgency to our mission. There is a direct line of sight from our work to the sustainable health of our planet. People around the globe depend on us to create extraordinary solutions to meet life's most critical water needs. Xylem optimizes water access and quality, and we promote responsible consumption so that communities across the globe can thrive.

Our Xylem Sustainability Steering Committee (XSSC), which meets quarterly, identifies and evaluates emerging strategic sustainability issues, coordinates our company's response to strategic public policy and regulatory issues, reviews our company's sustainability programs and performance, and develops action plans and programs that enable Xylem to meet its sustainability goals. The XSSC has support from the highest levels and broad involvement (including 11 executives from the Company's key functions, e.g., Product and Business Development, Legal, Procurement, HR, Public Affairs, Legal, Finance and EHS&S) which ensures consideration of issues from all possible vantage points. Our commitment to the UN Global Compact's 10 Principles also serves as a guide to act responsibly. Our 2015 Climate Change Policy statement codifies consistency in our stakeholder engagement practices across stakeholder groups. The Policy also serves as a means to share our goals and progress and align our actions with our commitment to address the challenges associated with the "water-climate nexus."

We have established ambitious targets related to climate change that impact our products, operations, employees and stakeholder engagement. We will continue to track our progress against these goals and continue to publicly report our success. We continue to look for energy efficiency improvements in our products, set ambitious goals to reduce GHG emissions and increase our resource efficiency. Our corporate citizenship program, Xylem Watermark, informs our employee's perspectives on sustainability through first-hand experiences bringing clean water, sanitation and hygiene education to communities in need, drawing the connection between climate change and water issues. In addition, we work closely with partners to drive collective action. We understand that the challenges brought by climate change are too large to be addressed by one company, one region, one country or one government, so we believe it is imperative to work with partners to contribute to the global sustainability agenda.

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

In mainstream reports

Status

Complete

Attach the document

2018 Final 10-K.pdf

Content elements

Strategy

Risks & opportunities

Other, please specify (10-K - Financials)

Publication

In voluntary communications

Status

Complete

Attach the document

xyl_2017_sr.pdf

Content elements

Governance

Strategy

Risks & opportunities

Emissions figures

Emission targets

Publication

In voluntary communications

Status

Complete

Attach the document

Xylem_2017_Investor_Day_Presentation_Final (1).pdf

Content elements

Strategy

Risks & opportunities

Other metrics

Other, please specify (Financials)

C14. Signoff

C-FI

(C-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.

C14.1

(C14.1) Provide details for the person that has signed off (approved) your CDP climate change response.

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

SC. Supply chain module

SC0.0

(SC0.0) If you would like to do so, please provide a separate introduction to this module.

SC0.1

(SC0.1) What is your company’s annual revenue for the stated reporting period?

	Annual Revenue
Row 1	4700000000

SC0.2

(SC0.2) Do you have an ISIN for your company that you would be willing to share with CDP?

Yes

SC0.2a

(SC0.2a) Please use the table below to share your ISIN.

	ISIN country code (2 letters)	ISIN numeric identifier and single check digit (10 numbers overall)
Row 1	US	98419M1009

SC1.1

(SC1.1) Allocate your emissions to your customers listed below according to the goods or services you have sold them in this reporting period.

Requesting member

National Grid PLC

Scope of emissions

Scope 1

Emissions in metric tonnes of CO2e

Uncertainty (±%)

Major sources of emissions

Verified

Yes

Allocation method

Allocation based on the market value of products purchased

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made

We use the economic allocation method to allocate emissions to each of our customers. We realize that there is a limitation to our estimation model, given the fact that the intensity of greenhouse gas emissions can vary by customer depending on type of services provided, geographic location, and in some cases, specific customer requirements; however, we have determined that sales dollars is the most straight forward proxy, the margin of error for large customers is likely to be small and the data is easy for our customers to cross check and validate. As reported in our 2018 CDP Investor Response, 2017 Scope 1 and 2 emissions for Xylem amount to 37,325 (Scope1) and 53,258 (Scope 2) metric tons CO2e. Our 2017 Annual Report states total (global) 2017 revenues for Xylem as \$4,700,000,000. Next we identified spend for each customer, in order to allocate emissions based on the market value of services purchased as a proportion of total 2017 revenues for those markets. We used the following formula for our allocation: Emissions by customer, metric tons CO2e = [Market Value of Services Purchased in 2017 \$US / Xylem 2017 Revenues \$US] x Xylem 2017 Emissions (Scope 1 and 2), metric tons CO2e Where; Xylem 2017 Revenues = \$ 4,700,000,000 Xylem 2017 Emissions (Scope 1 and 2) = 90,583 metric tons CO2e Market Value of Services Purchased in 2017 = \$[varies by customer]. The main sources of uncertainty for these calculations is extrapolation in cases where data sets were incomplete and the assumption that all customers use similar or average services. We estimate the uncertainty to be +/- 20%.

SC1.2

(SC1.2) Where published information has been used in completing SC1.1, please provide a reference(s).

017 global

Xylem's global revenues are published in the 2017 Annual Report.

SC1.3

(SC1.3) What are the challenges in allocating emissions to different customers, and what would help you to overcome these challenges?

Allocation challenges	Please explain what would help you overcome these challenges
Diversity of product lines makes accurately accounting for each product/product line cost ineffective	The ability to identify emissions by Growth Centers (Dewatering, Transport, Analytics, Treatment and Applied Water Systems) will help us overcome these challenges and will enable us to allocate emissions to customers based on the products and services they use and the geographic locations they operate in. Determining the specific carbon intensity of individual customers is a challenge. Today, we use the economic allocation method based on customer spend. We realize that this is a limitation to our estimation model, given the fact that the intensity of greenhouse gas emissions vary by customer depending on type of products purchased, services provided, geographic location, and in certain cases, specific customer requirements. Currently, we do not have enough information to evaluate and compare the specific carbon intensities of our different Growth Centers and geographic locations. As a result, we are not able to calculate individual customer's specific carbon footprint based on the products and services we provide to them in the various locations where they operate.

SC1.4

(SC1.4) Do you plan to develop your capabilities to allocate emissions to your customers in the future?

Yes

SC1.4a

(SC1.4a) Describe how you plan to develop your capabilities.

Xylem has a culture of continuous improvement - improving efficiency, service quality and being able to help customers meet their environmental goals. We are constantly working on improvements to our overall GHG management programs. In the future, we plan to account for environmental impacts based on our Growth Centers. When we are able to account for the GHG footprint of each Growth Center, we will also be able to more accurately allocate emissions to customers based on the products and services they use. We believe that improved understanding of the carbon intensity of our Growth Centers will lead to better opportunities for collaboration on mitigation, and ultimately a better customer experience.

SC2.1

(SC2.1) Please propose any mutually beneficial climate-related projects you could collaborate on with specific CDP Supply Chain members.

Requesting member

National Grid PLC

Group type of project

Please select

Type of project

Please select

Emissions targeted

Please select

Estimated timeframe for carbon reductions to be realized

Please select

Estimated lifetime CO2e savings

Estimated payback

Please select

Details of proposal

As we move forward with our operational efficiency programs, we seek support from customers like you who are interested in emissions reduction activities. We would like to discuss our ideas around renewable energy with your company and gauge whether or not this might be a good opportunity for collaboration around carbon reduction efforts. We'd like to solicit your input on how our planned initiatives may help your company achieve Scope 3 emissions stemming from Xylem and whether or not that is of interest to your company.

SC2.2

(SC2.2) Have requests or initiatives by CDP Supply Chain members prompted your organization to take organizational-level emissions reduction initiatives?

No

SC3.1

(SC3.1) Do you want to enroll in the 2018-2019 CDP Action Exchange initiative?

No

SC3.2

(SC3.2) Is your company a participating supplier in CDP's 2017-2018 Action Exchange initiative?

No

SC4.1

(SC4.1) Are you providing product level data for your organization's goods or services, if so, what functionality will you be using?

No, I am not providing data

SC4.2d

(SC4.2d) Have any of the initiatives described in SC4.2c been driven by requesting CDP Supply Chain members?

No

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	Public or Non-Public Submission	I am submitting to	Are you ready to submit the additional Supply Chain Questions?
I am submitting my response	Public	Investors Customers	Yes, submit Supply Chain Questions now

Please confirm below

I have read and accept the applicable Terms