Xylem Inc - Water Security 2020

W0. Introduction

W0.1

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

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

We design, manufacture and service highly engineered products and solutions ranging across a wide variety of critical applications, primarily in the water sector, but also in electric and gas. Our broad portfolio of products, services and solutions addresses customer needs across the water cycle, from the delivery, measurement and use of drinking water to the collection, test and treatment of wastewater to the return of water to the environment. We have differentiated market position in core application areas including transport, treatment, test, smart metering, smart infrastructure, analytics, digital solutions, condition assessment and leak detection, building services and industrial processing.

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

The name Xylem is derived from classical Greek referring to the tissue that transports water in plants, highlighting the engineering efficiency of our water-centric business by linking it with the best water transportation of all – that which occurs in nature.

· WATER SCARCITY

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

· RESILIENCE TO WATER CHALLENGES

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

· WATER AFFORDABILITY

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

Please see the Xylem Website for more information about our company.

W0.2

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

	Start date	End date
Reporting year	January 1 2019	December 31 2019

W0.3

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

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

W0.4

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

USD

W0.5

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

Companies, entities or groups over which operational control is exercised

W0.6

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

Yes

W0.6a

(W0.6a) Please report the exclusions.

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

W1. Current state

W1.1

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

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Important	Vital	Xylem uses freshwater directly in manufacturing processes worldwide. Water is used in tanks to test products after repair, at high-pressure washing stations, and for the lubrication and cooling of machining equipment, and is hence important to our operations. Water is also used for sanitary services. Xylem treats, reuses and recycles approximately 11.7% of the water withdrawn by our operations. As for indirect use, water quantity and quality are of vital importance to our customers (utilities, industrial, commercial, residential) and consumers in developed and developing countries. We expect this demand to only increase in the future, as freshwater availability is declining due to pollution growth, climate change, increased urbanization, poor water infrastructure, overuse and other factors. Xylem is working to increase the quality and quantity of freshwater available through our products and services used for transporting, treating and testing water Following our comprehensive risk assessment of our operations, supply chain disruptions resulting from the impacts of water risks were not considered to have a direct impact on Xylem. However, we are aware that significant disruptions to global supply chains could occur in the future. We are exposed to the availability of materials from third-party suppliers, which may be subject to curtailment or change due to, among other things, interruptions in production by suppliers, pandemics and weather emergencies (see our response to question 4.2c).
Sufficient amounts of recycled, brackish and/or produced water available for use	Important	Important	Our R&D and Applied Research departments rely on recycled, brackish and produced water to operate testing facilities. The supply of recycled/brackish water play a role in validating set criteria in respect to energy and water usage efficiency for our products. In some facilities, we are collecting rainwater for use in test tanks and use recycled water for landscaping and sanitation. In terms of customers and consumers, as droughts increase, water reuse/recycled water will become increasingly important to help meet growing water demands. Xylem's advanced water reuse solutions produce high-quality potable water at a lower life-cycle cost than developing a new water supply. Following our comprehensive risk assessment of our operations, supply chain disruptions resulting from the impacts of water risks were not considered to have a direct impact on Xylem. However, we are aware that significant disruptions to global supply chains could occur in the future. We are exposed to the availability of materials from third-party suppliers, which may be subject to curtailment or change due to, among other things, interruptions in production by suppliers, pandemics and weather emergencies (see our response to question 4.2c).

W1.2

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

	% of sites/facilities/operations	Please explain
Water withdrawals – total volumes	76-99	Xylem tracks water withdrawal using an online metrics tool called Gensuite. Facilities equipped with water meters report monthly, facilities receiving consumption information from invoices report quarterly. Water withdrawal values are aggregated at the corporate level and used to track progress against our sustainability goal to reduce water use intensity by 25% by 2019. We have achieved a 20 percent reduction in water use intensity, which is short of the 25 percent goal we set in 2014. To accelerate our efforts, we have committed to employing 100 percent process water recycling at our major facilities by 2025 using Xylem technologies and equipment. These values are also factored into the WRI Aqueduct Tool to analyze water risk at the facility level. Office-only facilities with less than 10 employees and facilities sharing a building with other tenants and without their own water meter are not required to report water withdrawal.
Water withdrawals – volumes by source	76-99	Xylem tracks water withdrawal by source from water stressed areas using an online metrics tool called Gensuite. Facilities equipped with water meters report monthly, facilities receiving consumption information from invoices report quarterly.
Entrained water associated with your metals & mining sector activities - total volumes [only metals and mining sector]	<Not Applicable>	<Not Applicable>
Produced water associated with your oil & gas sector activities - total volumes [only oil and gas sector]	<Not Applicable>	<Not Applicable>
Water withdrawals quality	76-99	Supervision and management of water quality at manufacturing locations occurs at the facility level. Water quality indicators are used at both the intake and discharge stages, and each applicable facility tracks its compliance with discharge limits and parameters. Xylem tracks this information monthly to ensure regulatory and environmental compliance. The methods used to determine and track compliance are based on the parameters outlined in the facility permits.
Water discharges – total volumes	1-25	We discharge all water we withdraw back to the local sewer systems. Evaporation can be considered insignificant. Xylem only actively tracks water discharges of our manufacturing sites, where water is treated before it is released. In 2019, this represented 12.8 % of our total water withdrawals. Many of our smaller non-manufacturing sites have washing stations for customer equipment, which are equipped with oil separators to ensure water is clean before it is released. Most of our smaller sites are not subject to water permits and hence have no discharge meters installed. We are planning to install additional meters in the future. Water discharge is measured using an online metric tracking tool called Gensuite . Each applicable facility tracks its compliance with discharge limits and parameters. Xylem tracks this information monthly to ensure regulatory and environmental compliance.
Water discharges – volumes by destination	Not monitored	Xylem tracks water discharges using an online metrics tracking tool called Gensuite. Water discharge by destination is not tracked at the corporate level.
Water discharges – volumes by treatment method	Not monitored	Xylem tracks water discharges using an online metrics tracking tool called Gensuite. Water discharge by destination is not tracked at the corporate level.
Water discharge quality – by standard effluent parameters	1-25	Supervision and management of water quality at manufacturing locations occurs at the facility level. Water quality indicators are used at both the intake and discharge stages, and each applicable facility tracks its compliance with discharge limits and parameters. Xylem tracks this information monthly to ensure regulatory and environmental compliance. The methods used to determine, and track compliance are based on the parameters outlined in the facility permits. Xylem only actively tracks water discharges of our manufacturing sites, where water is treated before it is released. In 2019, this represented 12.8 % of our total water withdrawals. Many of our smaller non-manufacturing sites have washing stations for customer equipment, which are equipped with oil separators to ensure water is clean before it gets released. Most of our smaller sites are not subject to water permits and hence, have no discharge meters installed. We are planning to install additional meters in the future.
Water discharge quality – temperature	Not relevant	Xylem tracks water discharge quality using an online metrics tracking tool called Gensuite; however, water discharge temperature is not tracked.
Water consumption – total volume	1-25	We discharge all water we withdraw back to the local sewer systems. Evaporation can be considered insignificant and our water consumption is minimal. Xylem only actively tracks water discharges of our manufacturing facilities, where water is treated before it is released to meet all environmental requirements. In 2019, this represented 12.8% of our total water withdrawals. Hence, we can only actively monitor water consumption at these facilities as well. Xylem tracks water data using an online metrics tracking tool called Gensuite on a monthly basis.
Water recycled/reused	76-99	Xylem tracks water recycled/reused, using an online metrics tool called Gensuite. Water recycled/reused is reported and reviewed at the facility level monthly for facilities equipped with water meters, and quarterly for facilities getting consumption information from invoices. Water recycled/reused values are aggregated at the corporate level. In addition, these values are incorporated in the eco-efficiency tool to identify and prioritize areas/projects for water savings. In 2019, the amount of water recycled/reused at Xylem facilities represented 11.7% of the total amount of withdrawn water, as compared to 7.4% in 2018.
The provision of fully-functioning, safely managed WASH services to all workers	100%	Xylem provides fully functioning access to water supply, adequate sanitation and hygiene (WASH) to all its employees. Xylem's Corporate Health Program (#21-400.34) ensures the safety of employees and includes a Corporate Hygiene Policy. In addition, Xylem's Corporate Drinking Water Management Policy (#21-400.14), implemented at all Xylem sites, ensures that all employees have access to safe, clean and an adequate supply of drinking water. The policy requires the testing of the quality and quantity of drinking water on at least an annual basis. This testing requirement is included in the scope of Corporate EHS audits. Xylem is a signatory to the WBCSD WASH Pledge and we have expanded our commitment to include employee homes. Through the Pledge, we joined a strong community of recognized leaders in the WASH field and the call to action for accelerating universal access to WASH. As part of our 2025 goals we also have a requirement for all Xylem Preferred Suppliers to sign the Pledge.

W1.2b

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

	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Total withdrawals	442.9	Lower	The upgrade of the existing wastewater treatment system at our Shenyang, China, facility contributed to our overall reduction in water use intensity in 2019. This included the installation of Xylem products (Flygt, Steady and Lowara pumps, Sanitaire aerator and Wedeco ozone generator), allowing the facility to treat its wastewater and reuse it for test tanks, facility cleaning, toilet flushing, landscaping and sprinkler system refilling. The facility reduced its water withdrawal by 25 percent from 2018 to 2019 and increased its water reuse by 42 percent. Facilities including Montecchio, Italy; Texarkana, US; and Stara Tura, Slovakia also delivered significant water intensity savings by improving their processes, controls, testing practices, and equipment achieved significant (4 or more megaliters year-over-year) reductions in water consumption. With 442.9 ML withdrawn in 2019, Xylem's total water withdrawals were hence lower than in the previous year (458.1 ML). Water withdrawal levels vary greatly from facility to facility, which creates a challenge when attempting to deploy water reduction initiatives across the company. Other local initiatives leading to reductions in water withdrawals include: • Uniontown, Pennsylvania, United States – Cooling tower water reclamation, closed-loop wastewater treatment system was installed, resulting in a 5.8% reduction of water usage over 2018. • Chihuahua, Mexico – a closed-loop wastewater treatment system was installed, resulting in a 6% reduction of water usage over 2018. • Herford, Germany – a closed-loop wastewater treatment system was installed , resulting in a 6.2% reduction of water usage over 2018. A number of additional water conserving projects are planned for 2020. Future water withdrawal levels may also vary due to both opportunities to reduce water usage, as well as risks of drought and extreme weather due to climate change.
Total discharges	442.9	Lower	While Xylem only actively measures the discharge of previously treated water, all water used by our facilities is discharged to the local sewer systems. Since withdrawal was reduced in 2019, discharges are lower as well. 2019 treated water discharges amounted to 56.7 ML, as compared to 86.1 ML in 2018. This was partly the result of a reduction in water usage, and most importantly, of an increase in the recycling/reuse of treated water that was discharged in the past at some sites. Montecchio alone reduced more than 30ML of water that used to be discharged, a big portion of it (about 60 %) is now recycled and reused. Future discharges will vary along with variations in water withdrawal. We expect both opportunities to reduce water usage, as well as risks of drought and extreme weather due to climate change.
Total consumption	0	About the same	While 0 ML does not represent an accurate measurement, we only actively track water discharge of previously treated water, we discharge all water we withdraw back to the local sewer systems. Evaporation can be considered insignificant and our water consumption is minimal. We expect this number to remain relatively steady in the future, as we continue discharge all of our water back into the sewer systems.

W1.2d

(W1.2d) Indicate whether water is withdrawn from areas with water stress and provide the proportion.

	Withdrawals are from areas with water stress	% withdrawn from areas with water stress	Comparison with previous reporting year	Identification tool	Please explain
Row 1	Yes	26-50	About the same	WRI Aqueduct	To determine which Xylem sites are located in water-stressed or water-scarce areas, Xylem uses the WRI Aqueduct Tool. The tool allows us to conduct sensitivity analyses in order to: a) determine how water stressed the area is where each Xylem facility is located, and b) provide specific, drilled down analysis of the water quality and resilience risks at each Xylem facility including characteristics such as regulatory landscape, drought, flood, upstream and groundwater risks among others. Xylem then uses the Aqueduct analysis along with actual water withdrawal data at each facility to set goals for reduction of water withdrawal and inform a risk-based approach to the allocation of resources for water consumption projects. Our Hydroinfinity product is used at facilities located in water-stressed areas to treat contaminated water, chemical-free, to independently verified drinking water standards. Electronic sensors and remote monitoring enable continuous monitoring of the water quality. We also use the product to reduce our own dependence on water withdrawals in water-stressed regions. For example, our facility in Chihuahua, Mexico, located in a high-risk water stress zone, uses Hydroinfinity units to enhance the quality of reused water in a pump washing water recirculation loop. In 2019 the system treated and recycled 371,000 Liters, approximately 78% of all the water needed for the process during the year. For comparison the percentage of water withdrawn from water-stressed areas in 2019 was 38.6% and 38.7% in 2018.

W1.2h

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

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Relevant	20.6	Lower	Overall, surface water is a very small portion of our overall water withdrawal volume. Our highest facility for water withdrawal is located in Emmaboda, Sweden. It is the only facility using surface water and it decreased its water consumption by 9% from 2018 to 2019 due to a less hot summer and decreased evaporation compared to 2018. Also, we had experienced a leakage in the piping in the test pit in 2018, which required the refilling of the test tank once the tank had been drained and the piping repaired. We anticipate to reduce our freshwater use in Emmaboda in the future. For comparison, our fresh water withdrawal was 22.7 ML in 2018.
Brackish surface water/Seawater	Relevant but volume unknown	<Not Applicable>	<Not Applicable>	Xylem produces a range of reverse osmosis membrane filtration systems for desalinating water and producing high-purity or potable water from brackish water and seawater sources. We use brackish water in our R&D and Applied Research testing facilities for these products, but we do not track the volume required at this time.
Groundwater – renewable	Not relevant	<Not Applicable>	<Not Applicable>	Xylem does not withdraw any renewable groundwater.
Groundwater – non-renewable	Relevant	2.77	Much lower	In 2019, Xylem had two sites that used groundwater: Lubbock, TX, United States and Buenos Aires, Argentina. Both facilities reduced their water withdrawals significantly. The Buenos Aires facility decreased withdrawals by 68%% in 2019 due to the repair of leaks related to an ageing sanitary water distribution system in 2018. Tracking and control measures were implemented after repairs and upgrades. The facility is now running well below last year's usage. The site at Lubbock reduced its water withdrawals by 68% as well. The reduction was mainly associated with better water management, leaks detection, correction and monitoring practices. For comparison withdrawal from non-renewable groundwater was 6.6 ML in 2018. We anticipate further reductions in non-renewable groundwater consumption due to our expectations of increased efficiencies.
Produced/Entrained water	Relevant but volume unknown	<Not Applicable>	<Not Applicable>	Currently Xylem does not track its produced water data by source at the corporate level.
Third party sources	Relevant	419.3	Lower	The majority of Xylem facilities procure or receive water from a municipal water treatment authority, and we include water from municipal water systems in this category. The volume for 2019 decreased slightly by 2.3 %. We anticipate future reductions in withdrawal from third-party sources due to our expectation of ever-increased efficiencies. For comparison, water withdrawals from third party sources were 429.2 ML in 2018.

W1.4

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

Yes, our suppliers

Yes, our customers or other value chain partners

W1.4a

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

Row 1

% of suppliers by number

1-25

% of total procurement spend

1-25

Rationale for this coverage

In 2017, Xylem signed the CEO Water Mandate, committing to the six core elements of water stewardship, one of which is supply chain and watershed management. Xylem completes supply chain audits with suppliers located in countries where human and labor rights issues could be a concern and which are located in water-stressed areas. In 2019, we set an annual goal for conducting supplier audits, with an initial target of 200 supplier audits. Our intent is to increase that number by 40 audits each year through 2025. We also made several enhancements to our Supplier Quality Assessment program to include additional Sustainability audit requirements.

Impact of the engagement and measures of success

All new strategic or critical suppliers are assessed prior to Xylem contracting with them for financial and EHS risks. Selection criteria for the audit program was based on specific sustainability criteria, including whether suppliers are located in water-stressed basins. In 2019, more than 200 suppliers were audited through the Supplier Quality Assessment program. In 2019, we conducted a supplier conference in the United Kingdom to educate and engage our suppliers on our upcoming Supplier Sustainability Assessment program. In 2020, we launched an enhanced and separate Supplier Sustainability Assessment program working toward our 2025 goals. In early 2020, we engaged 65 preferred suppliers in the EcoVadis on-line platform for a sustainability self-assessment and third-party verification review, which also covers water-related risk management. Success will be measured through the annual increase in supplier participation and annual improvement in supplier score as rated by EcoVadis .

Comment

In 2019, Xylem: o Provided a sustainability workshop for supply chain auditors in the Asia Pacific region. o Requested the first round of suppliers to sign the World Business Council for sustainable development WASH at the Workplace Pledge. o Contracted with EcoVadis to manage our Supplier Sustainability Assessment Program across 21 indicators in four themes: environment, labor and human rights, ethics and sustainable procurement.

W1.4b

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

Type of engagement
Innovation & collaboration

Details of engagement
Educate suppliers about water stewardship and collaboration

% of suppliers by number
1-25

% of total procurement spend
1-25

Rationale for the coverage of your engagement
Nine million people in Mexico do not have access to potable water and another 10.2 million people lack basic sanitation infrastructure in their homes. Access to clean water affects children the most, with many missing school due to water-related illnesses. In 2019, through Xylem Watermark's partnership with Planet Water and the Flex Foundation, 10 primary schools in Aguascalientes, Mexico recently received clean water access through community-based water filtration systems and hygiene education programs. Flex is Xylem's largest supplier and therefore responsible for our largest spend.

Impact of the engagement and measures of success
Customer/Supplier collaboration near the Flex facility in Mexico. Both companies participated in the Aquatower builds at local schools over the course of 10 days during a Quarterly Business Review Meeting. The impact of the engagement was clean water in 10 primary schools. Volunteers led water education activities for the primary school children to learn the principles of effective hand washing.

Comment

Type of engagement
Onboarding & compliance

Details of engagement
Requirement for water-related targets is included in your supplier selection mechanism

% of suppliers by number
1-25

% of total procurement spend
26-50

Rationale for the coverage of your engagement
In 2019, Xylem organized a Supplier Conference in the United Kingdom for over 100 suppliers to educate and engage them in our upcoming and enhanced Supplier Sustainability Assessment Program working toward our 2025 goals. To obtain Preferred Supplier status, suppliers must by 2025: • Goal 1 Engage in sustainability initiatives through audit program and corrective action plans • Goal 2 Provide Scope 1 & 2 GHG emissions and water usage via CDP Supply Chain • Goal 3 Disclose sustainability information via the EcoVadis platform • Goal 4 Sign the WBCSD WASH for the Workplace Pledge In addition, during the conference, all attendees participated in a Watermark activity- building water filter kits to be used as educational tools for use in schools in the Manchester, UK area.

Impact of the engagement and measures of success
The Supplier Conference provided suppliers with education and awareness of Xylem's 2025 Supply Chain goals. The measure of success will be the number of suppliers engaging in the goals year after year though 2025.

Comment

W1.4c

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

Xylem's tagline is an inclusive invitation: Let's Solve Water. Addressing the many water challenges our planet faces is a huge and vital undertaking that calls for collaboration and teamwork with our stakeholders, most importantly our customers and suppliers. Together, we partner to make the most effective use of the technology-enabled solutions available today and to generate exciting new innovation to shape the future of water. We believe this work represents the opportunity to have a positive, lasting impact on the global and local communities in which we operate. We foster two-way communications with our many stakeholders in a variety of ways to realize this potential. We identify a key stakeholder group as one that is critical to our business and strategy, and/or a core partner in our growth and sustainability efforts and engage with these groups regularly.

Since we are selling solutions that solve the world's water challenges, success of customer engagement on these issues is reflected in our sales.

Examples of engagement channels with our customers are:

· Direct engagement via sales teams

· White papers, case studies, website content

· Direct marketing, live events, webinars

· Voice-of-customer interviews, customer satisfaction surveys

· Watermark volunteerism and partner engagement

Examples of topics and concerns discussed include:

· Water challenges/solutions

· Wastewater challenges/solutions

· Stormwater challenges/solutions

· Water infrastructure assessment and renewal

· Social media

Xylem targets it innovation efforts toward its portfolio of water and wastewater treatment solutions (43.5% of FY2018 sales). Given that its three-year (FY 2016-2018) R&D/sales ratio was higher than that of industry peers (3.5% versus 2.8% as of January 2020), the company appears well positioned to remain an industry leader in providing cleantech solutions. For more examples of stakeholder engagement visit page 23 of our 2019 Sustainability Report.

W2. Business impacts

W2.1

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

No

W2.2

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

No

W3. Procedures

W3.3

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

Yes, water-related risks are assessed

W3.3a

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

Direct operations

Coverage
Full

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

Frequency of assessment
More than once a year

How far into the future are risks considered?
More than 6 years

Type of tools and methods used
Tools on the market
Enterprise Risk Management

Tools and methods used
WRI Aqueduct
COSO Enterprise Risk Management Framework

Comment
Our risks are managed by an ERM Program and framework with five key components: 1) Risk Appetite and Strategy, 2) Governance and Organization, 3) Policies and Procedures, 4) Risk Management Process, and 5) Monitoring and Reporting. We use the WRI Aqueduct Water Risk Atlas Tools to conduct water sensitivity analyses and communicate water use and risks relative to water availability. In particular, the tool is used to determine which Xylem facilities are located in water-stressed or water-scarce areas; this tool analyzes Xylem manufacturing facilities, sales and service facilities and large office-only facilities. In 2019, 300 (over 90%) of Xylem facilities were analyzed for water-related risks.

Supply chain

Coverage
Full

Risk assessment procedure
Water risks are assessed as a standalone issue

Frequency of assessment
Annually

How far into the future are risks considered?
1 to 3 years

Type of tools and methods used
Other

Tools and methods used
Internal company methods

Comment
Sustainability management, such as water sensitivity and efficiency, is integrated into our supplier risk assessment process. While transportation is our largest environmental supply chain impact, we realize suppliers can improve their water management.

Other stages of the value chain

Coverage
Full

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

Frequency of assessment
Annually

How far into the future are risks considered?
More than 6 years

Type of tools and methods used
International methodologies

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

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

W3.3b

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

	Relevance & inclusion	Please explain
Water availability at a basin/catchment level	Relevant, always included	As a company focused on solving the world's water problems, we assess water withdrawals, discharges and water stress in our risk management procedures. We need water in our operations. It is also in alignment with our business vision and our stakeholders expect it from us. Xylem tracks facility water usage (withdrawal, discharge, consumption, reuse), and evaluates it at the corporate level as part of our overall sustainability strategy and Enterprise Risk Management (ERM) process. Xylem uses a water footprint tool developed by the World Resource Institute called the "Aqueduct Tool", to conduct sensitivity analysis to: a) determine how water stressed the area is where each Xylem facility is located, and b) provide specific, drilled down analysis of the water quality and resilience risks at each Xylem facility including characteristics such as regulatory landscape, drought, flood, upstream and groundwater risks among others. Xylem then uses the Aqueduct analysis along with actual water consumption at each facility to set goals for reduction of water consumption and inform a risk-based approach to the allocation of resources for water consumption projects.
Water quality at a basin/catchment level	Relevant, not included	As a company focused on solving the world's water problems, water quality at the basin/catchment level is relevant to us. Xylem has not yet developed full scale water risk management measures of quality parameters; however, we are looking to assess and effectively manage water risks through appropriate processes and systems. The Business Continuity Plans (BCPs) developed at all Xylem manufacturing facilities and sales companies include a Threat Analysis to identify the potential disruptions that could affect these facilities. An analysis of water-related risks will be included in the local BCPs as part of the Threat Analysis, focusing on the following areas for the Xylem facilities located in water-stressed basins: withdrawal and discharge risks related to water availability and water quality; regulatory changes (withdrawal restrictions, discharge restrictions); and pricing changes (water tariffs, discharge tariffs).
Stakeholder conflicts concerning water resources at a basin/catchment level	Relevant, always included	As a company solving the world's water problems, not addressing any stakeholder conflicts concerning water resources presents a reputational risk for Xylem. Systematic tracking and monitoring of existing stakeholder conflicts (including those regarding water) are part of Xylem's EHS Policies Reporting and Resolving EHS Incidents and Potential Hazards protocol. Through the Policy, every Xylem facility has procedures in place to inform management of significant environmental issues, including stakeholder conflicts regarding water.
Implications of water on your key commodities/raw materials	Relevant, sometimes included	Risks related to operational and external factors include the inability of suppliers to meet delivery requirements. Our business relies on third-party suppliers, contract manufacturing and commodity markets to secure raw materials, parts and components used in our products. We are exposed to the availability of these materials, which may be subject to curtailment or change due to, among other things, interruptions in production by suppliers, pandemics and weather emergencies. Any delay in our suppliers' abilities to provide us with necessary materials (including those caused by water challenges), could impair our ability to deliver products to our customers and, accordingly, could have a material adverse effect on our business, financial condition or results of operations. In 2018, Xylem began offering a Water Footprint calculation tool to help critical suppliers identify ways to limit water consumption, prioritizing those located in water-stressed basins. In addition, environmental impacts including water use are assessed through a detailed Life-Cycle Assessment of selected Xylem products. Xylem has a formalized process in place to identify and address sustainability risks in the supply chain. All new strategic or critical suppliers are assessed prior to Xylem contracting with them for financial and EHS risks. The selection criteria for the audit program was based on specific sustainability criteria, including whether suppliers are located in water-stressed basins.
Water-related regulatory frameworks	Relevant, always included	Xylem considers regulatory changes under operational risk and compliance risk to the organization. In 2016, Xylem began using the WRI Aqueduct Tool to conduct sensitivity analysis in order to provide specific, drilled down analysis of the water quality and resilience risks at each Xylem facility including characteristics such as regulatory landscape (such as water quality or groundwater recharge regulations), drought, flood, upstream and groundwater risks among others. The Xylem EHS Management System and Xylem EHS policies (Xylem policy 21-300.02 Legal and Other Requirements, and Xylem policy 21-700.01 Tracking Regulations and Policies) require all Xylem facilities to track legal and other EHS requirements that apply, including all regulatory requirements regarding water and water use.
Status of ecosystems and habitats	Not relevant, included	Our Water Footprint assessments have established that Xylem has 39 facilities linked to a biodiversity hotspot through their respective water basins, however none of the locations directly impact the nearby ecosystem/habitat due to the limited water use in their operations.
Access to fully-functioning, safely managed WASH services for all employees	Relevant, always included	Xylem is a signatory to the WBCSD WASH Pledge and we have expanded our commitment to the Pledge to include employee homes. Signing the Pledge provides us an opportunity to show our commitment to action towards WBCSD's Vision 2050. It also provides a platform for us to communicate about our good practices, both internally and externally. By signing the Pledge, we became part of a strong community of recognized leaders in the WASH field. We added our voice to the global call to action for accelerating universal access to WASH. As part of our 2025 goals we have a requirement for all Xylem Preferred Suppliers to also sign the Pledge. Xylem provides fully functioning access to water supply, adequate sanitation and hygiene (WASH) for to all its workers employees. Xylem's Corporate Health Program (#21-400.34) ensures the safety of employees and includes a Corporate Hygiene Policy. In addition, Xylem's Corporate Drinking Water Management Policy (#21-400.14), implemented at all Xylem sites, ensures that all employees have a access to safe, clean and an adequate supply of drinking water. The policy requires the testing of the quality and quantity of drinking water on at least an annual basis. This testing requirement is included in the scope of Corporate EHS audits.
Other contextual issues, please specify	Not relevant, explanation provided	Xylem cannot identify any other contextual issues that have not been stated above that are factored into its organization's water risk assessment.

W3.3c

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

	Relevance & inclusion	Please explain
Customers	Relevant, always included	Meeting our customers water risks is vital to Xylem's success as a business. We consider our customer's water risks as an opportunity to help solve them. Therefore, Xylem is committed to understanding customer needs and delivering water technologies that are not only efficient in terms of both energy and water usage, but also designed to assist our customers as they pursue their own sustainability strategies. Through Xylem's last materiality assessment, we learned that product and business model innovation is a top priority to meet customer needs. We conduct voice-of-customer interviews and customer satisfaction surveys to learn more about their needs and their perceptions of our company and our products. We also use the Net Promoter Score (NPS) tool as an additional means of measuring customer satisfaction. Xylem annually completes a number of Customer Supplier Sustainability Questionnaires and Surveys that include providing information on Xylem's water-related risk assessments.
Employees	Relevant, always included	It is our employees' skills and commitment that allow us to solve the world's water problems, and we encourage them to share their water related concerns and ideas. We also have a public commitment to SDG 6 'clean water and sanitation for all'. Many of our employees' families live close to our operations, and we must ensure we conserve local water supplies. Every employee is informed of our water stewardship and our water management policies, and we encourage all our employees to participate in community activities addressing local water needs. Our business is at financial, operational and reputational risk if our employees are not safe, informed, and heard. To reduce risks on both ends, Xylem has many mechanisms in place in which employees can - and do - proactively identify and report potential risks. The Enterprise Risk Management Program (ERM) seeks employees' periodic input on existing and emerging risks, including water-related risks. In addition, we use a top-down risk assessment as a way for senior leaders to raise risk concerns to their peers and the ERM functional lead for reporting to the Enterprise Risk Committee and potentially the Board of Directors as appropriate. Xylem's ERM Program relies on structured feedback from employees at all levels of the organization & across all businesses and functions. These inputs come via the annual Risk Assessment process as well as periodic monitoring interviews and the discussions are grounded in a structured framework that is used with all Risk Owners to ensure consistency and quality of information. In an April 2018 update on the ERM Program provided to our Senior Leadership Team, this interview framework was reviewed and the Senior Leaders' feedback on potential improvements to it will be incorporated moving forward. Furthermore, Xylem included employees in our most recent robust materiality assessment in 2018. Our next comprehensive materiality assessment will be conducted in 2020. One of our signature goals for 2025 is to ensure 100% of our employees have access to clean water and safe sanitation at work, at home and during natural disasters. Xylem is a signatory to the WBCSD WASH Pledge. Through the Pledge, we joined a strong community of recognized leaders in the WASH field and the call to action for accelerating universal access to WASH. As part of our 2025 goals we also have a requirement for all Xylem Preferred Suppliers to sign the Pledge.
Investors	Relevant, always included	A global freshwater crisis is one of the main threats to the world's economy. The relevance of fresh water issues and the connection between local water scarcity and global financial effects is an important material risk for investors. Climate change will aggravate water risks. As temperatures increase, water risks will rise. We depend on our investors for financial sustainability and the opportunity to expand our products and services that help solve the world's water problems. Xylem performs annual Risk Assessments as part of good governance to address fiduciary responsibility to our investors. As a global water technology provider, sound management of water-related issues, from both a risk and opportunity perspective, is foundational to our business success. In addition, investors were included in our recent materiality assessment and the development of our 2025 goals to better understand their needs beyond fiduciary duty.
Local communities	Relevant, always included	In 2018, Xylem conducted a robust materiality assessment that included external stakeholder voices such as local communities. Our next materiality assessment will be conducted in 2020. We have a public commitment to SDG 6 'clean water and sanitation for all' and we must ensure we conserve local water supplies. Understanding our potential impacts on the communities near our facilities, is an essential aspect of our risk assessment processes to reduce reputational and operational risk. To determine our impact on our local communities, specifically those in water-stressed or water-scarce areas, Xylem uses the WRI Aqueduct Tool to conduct sensitivity analysis to: a) determine how water stressed the area is where each Xylem facility is located, and b) provide specific, drilled down analysis of the water quality and resilience risks at each Xylem facility including characteristics such as regulatory landscape, drought, flood, upstream and groundwater risks among others. We have identified that in 2019, Xylem had 2 facilities located in arid and low water use areas, 55 facilities located in high risk areas, and 42 facilities located in 'extremely high risk' areas. This information informs Xylem's regular local operations outreach, and Watermark field assessments.
NGOs	Relevant, always included	Similar to local communities, Xylem seeks to understand and consider NGO needs and concerns in our risk assessments to reduce reputational risk. As a water technology provider, our reputation with regard to water-related issues is paramount to our success. Xylem included NGOs in our recent materiality assessment, to hear their concerns regarding our business impacts. Through the assessment, we further understood NGO's desires for Xylem to inspire and engage people, organizations, and communities around global water resiliency by sharing our knowledge and expertise. Through Xylem Watermark, our corporate citizenship program, Xylem works with best-in-class nonprofits to address the full spectrum of water challenges by providing financial support, water technology, and sanitation and hygiene education. Xylem Watermark delivers sustainable solutions, combining community-based interventions with regular monitoring to ensure projects meet local water needs. In addition to direct local service, Xylem Watermark supports six global nonprofit partners to provide sustainable community-based interventions and solutions to water challenges. Since 2008, Xylem Watermark has made significant investments through corporate grants, in-kind product donations and employee contributions, including corporate matching. To learn more about how Xylem Watermark, with our partners, made its mark on the global water crises in 2019, read our 2019 Sustainability Report (page 81). In 2019, we also issued a goal to deploy humanitarian aid to 200 areas affected by water-related natural disasters by 2025.
Other water users at a basin/catchment level	Relevant, not included	While Xylem is committed to its local communities, we have not yet engaged with other water users at a local level when conducting its water risk assessments. Xylem looks forward to participating with other water users at a basin/catchment level through the CEO Water Mandate Water Action Hub.
Regulators	Relevant, always included	Xylem considers regulatory changes under operational risk and compliance risk to the organization. In 2018, Xylem began using the WRI Aqueduct Tool to conduct sensitivity analysis in order to provide specific, drilled down analysis of the water quality and resilience risks at each Xylem facility including characteristics such as regulatory landscape (such as water quality or groundwater recharge regulations), drought, flood, upstream and groundwater risks among others. The Xylem EHS Management System and Xylem EHS policies (Xylem policy 21-300.02 Legal and Other Requirements, and Xylem policy 21-700.01 Tracking Regulations and Policies) require all Xylem facilities to track the legal and other EHS requirements that apply to them including all regulatory requirements regarding water and water use.
River basin management authorities	Not relevant, explanation provided	Xylem's operations draw largely from municipal water authorities and not directly from river basins, therefore Xylem has not factored river basin management authorities into our water risk assessments at this time. Our Emmaboda, Sweden facility is the only location that uses water from the nearby river and does so in full compliance with the local regulatory requirements. If at any time Xylem facilities do begin to pull directly from river basins, we will include this group in our stakeholder engagement and risk assessment.
Statutory special interest groups at a local level	Not relevant, explanation provided	Xylem is not aware of any statutory special interest groups at a local level. If at any time Xylem identifies statutory special interest groups at a local level, we will include this group in our stakeholder engagement and risk assessment.
Suppliers	Relevant, always included	Risks related to operational and external factors include the inability of suppliers to meet delivery requirements, and supplier compliance violations. Our business relies on third-party suppliers, contract manufacturing and commodity markets to secure raw materials, parts and components used in our products. Xylem has a formalized process in place to identify and address sustainability risks in the supply chain. All new strategic or critical suppliers are assessed prior to Xylem contracting with them. The assessment tool includes financial, environmental, health, safety, and sustainability risks for review. For existing suppliers, the supplier evaluation process also includes targeted facility audits. To ensure our suppliers are not discharging into impaired waters, Xylem tracks EPA violation indicators for all suppliers in the US regularly. Additionally, Xylem conducts sustainability audits for suppliers. A new Supply Chain sustainability audit protocol was written in 2018. In early 2020, we engaged 65 preferred suppliers in the EcoVadis on-line platform for a sustainability self-assessment and third-party verification review. These audits focused on the following areas: environment, health and safety practices, including water-related risk management; human rights and labor rights; conflict minerals, business continuity planning and facility security.
Water utilities at a local level	Relevant, not included	Other than where utilities/suppliers might overlap as customers or potential customers, Xylem has not yet engaged with these parties when conducting its water risk assessments.
Other stakeholder, please specify	Not relevant, explanation provided	Xylem cannot identify any further stakeholders that are considered in its water risk assessments, other than those listed above.

W3.3d

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

Xylem's vision and strategic plan drive its Enterprise Risk Management (ERM) function. Xylem's risks are managed by a comprehensive ERM Program that has a framework consisting of five key components: 1) Risk Appetite and Strategy, 2) Governance and Organization, 3) Policies and Procedures, 4) Risk Management Process, and 5) Monitoring & Reporting. This framework directly supports the ERM Program's objective of establishing "practical and sustainable policies, procedures and processes that help the Company manage and monitor risk effectively. We are using the WRI Aqueduct tool to identify Xylem facilities located in water-stressed areas. We considered the facilities that were ranked 'high risk' and above for Physical Risk Quality, Physical Risk Quantity and Baseline Water Stress, with the time frame up to 'Water Stress in Year 2020'.

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

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

GenSuite, an application within our Environmental, Health and Safety metric database that allows Xylem to track projects such as energy treasure hunts and other facility environmental projects, from the simple to the most complex.

Several projects were underway in 2019 to work towards our water use intensity reduction goal by year end. The capital budget for these projects is over $1M U.S. and include the following:

- Montecchio, Italy – Ultrafiltration and reuse system being installed, resulting in a 24% reduction of water usage over 2018. The project will be completed in 2020.
- Texarkana, Texas, United States – Painting passivation and test treatment reuse system were installed, resulting in 34% reduction of water usage over 2018.
- Auburn, NY, United States – Cooling, testing and cleaning closed-loop wastewater treatment system being installed. The project will continue into 2020.
- Uniontown, Pennsylvania, United States – Cooling tower water reclamation, closed-loop wastewater treatment system was installed, resulting in a 5.8% reduction of water usage over 2018.
- Chihuahua, Mexico – a closed-loop wastewater treatment system was installed, resulting in a 6% reduction of water usage over 2018.
- Morton Grove, Illinois, United States – Closed-loop wastewater system was installed. The unexpected increase in water withdrawals by 8.5% in 2019 are being addressed through improvements in measurements and controls.
- Herford, Germany – a closed-loop wastewater treatment system was installed , resulting in a 6.2% reduction of water usage over 2018.
- Furthermore, Xylem became a signatory to the UN CEO Water Mandate in 2017, committing to advancing water stewardship across our value chain.

W4. Risks and opportunities

W4.1

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

Yes, only within our direct operations

W4.1a

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

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

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

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

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

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

At least one example of substantive impact:

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

W4.1b

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

	Total number of facilities exposed to water risk	% company-wide facilities this represents	Comment
Row 1	1	Less than 1%	We use the WRI Aqueduct Tool to assess and communicate water use and risks relative to water availability at 300 Xylem facilities (over 90% of our facilities). Xylem has identified 2 facilities located in 'arid and low water use' areas, 55 facilities located in 'high risk' areas, and 42 facilities located in 'extremely high risk' areas in 2019. The tools consider the following attributes: physical risk quality, physical risk quantity, baseline water stress, regulatory and reputational risk, inter-annual and seasonal availability, flood occurrence, drought severity, upstream storage, groundwater stress, return flow ratio, upstream protected land, media coverage, access to water, and threatened amphibians. One facility that could have substantive impact on Xylem's business is Shenyang, China. That facility is considered of critical importance to Xylem's business because it contributes to 4% or more of Xylem's revenue, and a disruption at the facility (including a water-related disruption), would cause a substantive impact on our business. To reduce potential water-related risks, we proactively manage the site to identify and implement solutions to reduce their water use. These initiatives not only improve our cost efficiencies and insulate from potential future risk, but also build our reputation as a water technology company and provide an internal testing ground for our products and solutions. The upgrade of the existing wastewater treatment system at the Shenyang, China, facility reduced our vulnerability at this site and contributed to our overall reduction in water use intensity in 2019. This included the installation of Xylem products (Flygt, Steady and Lowara pumps, Sanitaire aerator and Wedeco ozone generator), allowing the facility to treat its wastewater and reuse it for test tanks, facility cleaning, toilet flushing, landscaping and sprinkler system refilling. The facility reduced its water withdrawal by 25 percent from 2018 to 2019 and increased its water reuse by 42 percent.

W4.1c

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

Country/Area & River basin

China	Liao He

Number of facilities exposed to water risk
1

% company-wide facilities this represents
Less than 1%

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

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

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

% company's total global revenue that could be affected
1-10

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

W4.2

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

Country/Area & River basin

China	Liao He

Type of risk & Primary risk driver

Physical	Increased water scarcity

Primary potential impact
Reduction or disruption in production capacity

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

Timeframe
More than 6 years

Magnitude of potential impact
Medium-high

Likelihood
About as likely as not

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
208000000

Potential financial impact figure - minimum (currency)
<Not Applicable>

Potential financial impact figure - maximum (currency)
<Not Applicable>

Explanation of financial impact
This facility located in Shenyang, China is considered a "critical" Xylem facility since it contributes to 4% or more of Xylem's overall revenue. Xylem's overall revenue in 2019 was 5.2 billion, therefore 4% would be 208 million.

Primary response to risk
Adopt water efficiency, water reuse, recycling and conservation practices

Description of response
To actively manage our potential risk from operating in areas of extreme water scarcity, Xylem proactively manages potential water-related risks at our facilities by equipping our facilities with Xylem technologies. The recent upgrade of the existing water treatment facility at the Shenyang, China, included the installation of Xylem products (Flygt, Steady and Lowara pumps, Sanitaire aerator and Wedeco ozone generator) allowing the facility to treat its wastewater and reuse it for test tanks, facility cleaning, toilet flushing, landscaping and sprinkler system refilling. This further reduced its water withdrawal by 25percent from 2018 to 2019 and further increased its water reuse by 30 percent.

Cost of response
200000

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

W4.2c

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

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

W4.3

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

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

W4.3a

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

Type of opportunity

Products and services

Primary water-related opportunity

Increased sales of existing products/services

Company-specific description & strategy to realize opportunity

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

Estimated timeframe for realization

More than 6 years

Magnitude of potential financial impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

61000000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact

We estimate the total addressable market size of our industry to be approximately $560 billion. According to our market share, we estimate our total served market size to be approximately $61 billion. At Xylem, we believe digital solutions can create bold, new water, energy and cost efficiencies and benefits for our customers throughout all areas of our portfolio, from our robust foundational products like diesel dewatering pumps and wastewater pump stations to smart water meters and data analytics platforms that enable smart city infrastructure. One example of how we are creating financial and sustainability impact for our customers is our BLU-X digital platform: In South Bend, Indiana, the city faced a billion-dollar consent decree for combined sewer overflows. The city implemented Xylem's BLU-XTM intelligent sewer solution, utilizing a combination of sensors and artificial intelligence to provide real-time decision support and coordinated real time system control. As a result, the City has reduced combined sewer overflow volumes by over 70%, reduced E. coli concentrations in the St. Joseph River by 50% and is expected to reduce capital required to comply with the consent decree by more than $500 million. The city of Grand Rapids, Michigan, set out to certify the performance of its newly separated sanitary sewer system. After building one of the largest distributed sensor networks of any storm water and wastewater utility in the country, the city utilized Xylem's BLU-X™ visualization and analytics tools to assess planned I&I mitigation projects. By linking these to a common framework, the City found many of these projects were not necessary and has reduced capital infrastructure program needs from over $1 billion to less than $50 million. Another recent example is Xylem's Sensus brand, which provides intelligent infrastructure solutions, including meters, sensors, communication networks and data analytics to help our customers operate efficiently and reliably, providing real-time information on resource consumption and system performance. The new Sensus Cordonel® high-performance static flow meter for commercial and industrial applications, launched in 2019, helps water utilities, industries and agriculturalists precisely measure flow, temperature and pressure data in real time providing the accuracy required for the reduction of non-revenue water and improved operations.

W5. Facility-level water accounting

W5.1

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

Facility reference number
Facility 1

Facility name (optional)
Shenyang

Country/Area & River basin

China	Liao He

Latitude
41.79222

Longitude
123.43278

Located in area with water stress
Yes

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

Oil & gas sector business division
<Not Applicable>

Total water withdrawals at this facility (megaliters/year)
9.65

Comparison of total withdrawals with previous reporting year
Lower

Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes
0

Withdrawals from brackish surface water/seawater
0

Withdrawals from groundwater - renewable
0

Withdrawals from groundwater - non-renewable
0

Withdrawals from produced/entrained water
0

Withdrawals from third party sources
9.65

Total water discharges at this facility (megaliters/year)
9.65

Comparison of total discharges with previous reporting year
Lower

Discharges to fresh surface water
0

Discharges to brackish surface water/seawater
0

Discharges to groundwater
0

Discharges to third party destinations
9.65

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

Comparison of total consumption with previous reporting year
About the same

Please explain
As in previous years, all water from Shenyang's facility is discharged to a municipal system treatment plant. Evaporation can be considered minimal.

W5.1a

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

Water withdrawals – total volumes

% verified
76-100

What standard and methodology was used?
ERM Certification and Verification Services (ERM CVS) was engaged by Xylem Inc. (Xylem) to provide limited assurance in relation to specified 2019 environmental and safety data, including “Total water withdrawals”, presented in the Xylem 2019 Sustainability Report. ERM CVS’ assurance methodology is based on the International Standard on Assurance Engagements ISAE 3000 (Revised).

Water withdrawals – volume by source

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water withdrawals – quality

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water discharges – total volumes

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water discharges – volume by destination

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water discharges – volume by treatment method

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water discharge quality – quality by standard effluent parameters

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water discharge quality – temperature

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water consumption – total volume

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

Water recycled/reused

% verified
Not verified

What standard and methodology was used?
<Not Applicable>

W6. Governance

W6.1

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

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

W6.1a

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

	Scope	Content	Please explain
Row 1	Company-wide	Description of business dependency on water Description of business impact on water Description of water-related performance standards for direct operations Description of water-related standards for procurement Reference to international standards and widely-recognized water initiatives Company water targets and goals Commitment to align with public policy initiatives, such as the SDGs Commitments beyond regulatory compliance Commitment to water-related innovation Commitment to stakeholder awareness and education Commitment to water stewardship and/or collective action Acknowledgement of the human right to water and sanitation Recognition of environmental linkages, for example, due to climate change	As a water technology company, Xylem's business model depends on water. Our Climate Change Policy outlines our enterprise commitment to develop innovative mitigation and adaptation solutions for the water-related challenges associated with climate change. Key points include: Climate change will intensify water availability and quality risks. We: work with partners to increase water productivity, quality and resilience, resulting in direct and indirect benefits to climate change; Understanding that our own water footprint pales in comparison to the impact we can have through the use of our products, we introduced a number of goals related to the use of our products with a target year of 2025 in 2019. We also aim to use 100 percent process water recycling at our major facilities by 2025. We are a signatory to the UN Global Compact's CEO Water Mandate and Caring for Climate Statement; are committed to water-related innovation in developed and developing countries; encourage employee engagement in our sustainability initiatives and global citizenship program, Watermark; address water infrastructure through Value of Water Coalition; educate with reports and publications, such as our Urban Resilience series; ask companies to adopt SDGs. Find our climate change policy here: https://www.xylem.com/siteassets/about-xylem/climate-change/20150528_climate-change-policy-position_vfinal.pdf 20150528_climate-change-policy-position_vfinal.pdf

W6.2

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

Yes

W6.2a

(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.

Position of individual	Please explain
Board Chair	Our business strategy, risk management, and reputation are intricately linked to climate- and water-related issues The Board of Directors provides oversight of our sustainability strategy and oversees our risk management processes and policies. The Board has delegated certain responsibilities to designated Committees that report to the full Board. We review our business strategy with our board of directors during our annual strategy discussions and then again 2-3 times per year. We develop our business and sustainability strategy through the lens of our customers' most urgent needs that we can serve. Those needs are resiliency against climate change, water scarcity and water affordability. As a result, the topics of climate and water related risks are part of our regular strategy discussions with the board. Further, when we review our manufacturing and supply chain strategy with the board, sustainability and how we manage our footprint is part of those discussion. In addition, the Innovation & Technology Committee of the Board reviews our technology and innovation strategy. Reducing the climate impact of our pumping and treatment technologies is well embedded in that strategy and the Committee's recent focus areas have been the advancement of digital technology to further assist our customer in managing their environmental impacts and resiliency against climate change. Lastly, our Nominating & Governance Committee formally reviews our sustainability strategy and performance against our goals, many of which consider climate and water risks, such as investing further in digitization to expand our leading position in the smart water sector, at least annually.

W6.2b

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

	Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture Overseeing major capital expenditures Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Reviewing and guiding corporate responsibility strategy Reviewing innovation/R&D priorities Setting performance objectives	As a water technology company, Xylem's long-term business objectives hinge on the understanding and planning for macro-economic trends regarding water issues and the nexus between water and climate. Our business strategy, including M&A, our approach to risk management and R&D are intricately linked to water-related issues and the increasingly visible nexus between water and climate. 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 & Finance monitors Xylem's overall risk assessment and risk management program. Water risks are considered in risk analyses. •Nominating & Governance reviews Xylem's sustainability; business continuity and disaster recovery; and environmental, safety, health and security programs. It also reviews our corporate social responsibility programs which are focused on providing education and community resources regarding water-related risk. • The Innovation & Technology Committee oversees Xylem's technology and innovation approach, including the technical talent needed to advance our innovation. All Committees regularly report their activities to the full Board.

W6.3

(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)

Chief Executive Officer (CEO)

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

Quarterly

Please explain

Our CEO has ultimate responsibility for aligning Xylem's long-term business strategy with water and climate-driven market conditions in the water technology industry. Or CEO leads the review our business strategy with our Board during our annual strategy discussions and then again 2-3 times per year. He helps develop our strategy through the lens of resiliency against climate change, water scarcity and water affordability. When we review our manufacturing and supply chain strategy, sustainability and how we manage our footprint is part of the discussion. Innovation & Technology Committee reviews our technology and innovation strategy including reducing the climate impact of our pumping and treatment technologies. Recent focus areas by the CEO have been the advancement of digital technology. Nominating & Governance formally reviews our sustainability strategy and performance against our goals, many of which consider climate and water risks, at least annually.

W6.4

(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?

	Provide incentives for management of water-related issues	Comment
Row 1	Yes	An important barometer of Xylem's continued commitment to sustainability, the individual component of the 2019 Annual Incentive Compensation for both our President & Chief Executive Officer and our Senior Vice President, General Counsel & Chief Sustainability Officer was tied to Xylem's sustainability performance.

W6.4a

(W6.4a) What incentives are provided to C-suite employees or board members for the management of water-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive	Performance indicator	Please explain
Monetary reward	Chief Executive Officer (CEO) Chief Sustainability Officer (CSO)	Other, please specify (Environmental Performance, Health & Safety, Operational Performance)	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. 75% of our corporate executive team's annual incentive compensation is tied to revenue growth, operating income growth and working capital improvements, weighted equally. Revenue growth means that we are successful in selling more of our green/sustainable products and solutions. Operating income improvements means that we are thoughtful about our costs, including energy costs. Our energy treasure hunts routinely contribute to our operating income performance. The Annual Incentive Compensation as rated by Sustainalytics will continue to be in effect for the foreseeable future.
Non-monetary reward	Please select	Please select	

W6.5

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

Yes, direct engagement with policy makers

Yes, trade associations

W6.5a

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

We have a cross functional team made up of mostly internal but also have external participants, to review our direct and indirect activities seeking to influence policy. If we find any activity not consistent with our own values as a company in general and specifically around our water policies, we will elevate that activity to the Chief Sustainability Officer, Chief Marketing Officer and relevant Business Unit Leader to review and take a decision for Xylem to either: continue with such activity, stop the activity or perhaps launch a review of our own policies to make them as competitive and sustainable as we can .Since it is our business to sell solutions to the world's water challenges, influencing policy inconsistent with our own water policies and commitments would be counterproductive to our reputation and success.

We provide technology and market expertise to inform policymakers on key water issues in the US and the EU contributing language to the FUTURE Act and Advanced Research Projects Agency — Water (ARPA-H2O) Act in US federal and state legislatures to assist in the adoption of digital technology and accelerating the assessment of critical water infrastructure.

Our goals include:

- Co-developing and advancing bold new technologies and applications through partnerships with universities, research institutes, startups, NGOs, policymakers and other tech companies
- Convening broader conversations about water challenges with policymakers and the general public.

W6.6

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

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

W7. Business strategy

W7.1

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

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, water-related issues are integrated	5-10	Technology is transforming how we solve water. Smart water networks identify water infrastructure problems earlier and more efficiently, saving wasted water. Improved wastewater management means less polluted waterways. We're creating the technological platform to address these opportunities. We expect global macro trends to fuel demand for our solutions. Global regulations are increasing the need for more efficient solutions. Population growth, urbanization and a growing middle class in emerging markets are boosting demand for clean water while putting strains on aging infrastructure. The impacts of climate change are disrupting water supplies with intensifying water scarcity in many parts of the world and increased flooding. These factors create a growing need for water and energy infrastructure solutions that are modern, efficient and resilient. Xylem is well-positioned to fulfill these long-term needs. 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. The water-related issues we include in this process include: water usage efficiency, wastewater quality, and water infrastructure and are factored into our decisions regarding new product research and development, geographic prioritization for product introductions, and new facility investment.
Strategy for achieving long-term objectives	Yes, water-related issues are integrated	5-10	Xylem's business strategy is built on creating technology-enabled solutions to help our customers solve their most pressing challenges related to scarcity, resilience and affordability. One of Xylem's core business strategies is to drive long-term, accelerated growth by investing key markets with attractive fundamentals, sustainability initiatives to do right by our customers and the environment, innovation and technology to enable smart infrastructure, and disciplined M&A to continually advance our portfolio and channels to market. We are building on over $2 billion of investments since 2016 on a series of acquisitions to form the basis of our Monitoring & Controls Solutions segment by investing further in digitization to expand our leading position in the smart water sector, developing new infrastructure with greater localized offerings and technology enablement in emerging markets which will attract the vast majority of investment in water sector through 2025, and expanding our broader service capabilities and leveraging the breadth of our portfolio to best serve our customers. Furthermore, we have integrated sustainability deeper throughout our business, including identifying 2025 sustainability goals, accelerating diversity & inclusion and providing access to water for under-served populations. The water-related issues we include in this process include: water usage efficiency, wastewater quality, and water infrastructure.
Financial planning	Yes, water-related issues are integrated	5-10	Xylem takes a balanced approach to capital deployment, managing leverage with investments in growth. We return capital to shareholders via dividend growth in line with earnings and opportunistic share repurchases. As part of our strategy for growth, Xylem has a goal to increase our Vitality Index (percentage of sales from products launched in the last five years) to drive product innovation. Our Vitality Index is a key product efficiency indicator that means we're successfully selling products that result in the smarter use of water, such as leak detection, remote sensing, digital twin. See for more examples at https://www.xylem.com/en-us/sustainability/customer/ and https://www.xylem.com/en-us/sustainability/company/innovation/#digital The water-related issues we include in this process include: water usage efficiency, wastewater quality, and water infrastructure. These issues are factored into our decisions regarding new product research and development, geographic prioritization for product introductions, and new facility investment.

W7.2

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

Row 1

Water-related CAPEX (+/- % change)

0

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

100

Water-related OPEX (+/- % change)

0

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

100

Please explain

While, we haven't tracked water related CAPEX and OPEX systematically in the past, 2019 investments in water projects amounted to over USD 500,000. For 2020, we have investments of over 1 million USD planned. With a 2025 goal of 100% process water recycling at our major facilities and a green loan of 1 billion USD available, we expect investments in water projects will continue to grow.

W7.3

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

	Use of climate-related scenario analysis	Comment
Row 1	Yes	Xylem uses The Aqueduct Tool to conduct sensitivity analysis to determine a level of water stress at each facility; it provides specific analysis of the water quality and resilience risks at each facility, such as regulatory landscape, drought, flood, and groundwater risks. The tool allows to also consider future water-stress scenarios as influenced by climate change. Xylem uses these analyses and actual water withdrawal to set water reduction goals and uses a risk-based approach to the allocation of resources for water projects consistent with our water intensity reduction goal. Water withdrawal is tracked through an online metrics tool called GenSuite and reported and reviewed at the facility level. Water withdrawal values are aggregated at the corporate level and used to track our progress against our goal. Xylem anticipates conducting scenario analysis in line with TCFD recommendations within the next few years.

W7.3a

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

Yes

W7.3b

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

	Climate-related scenarios and models applied	Description of possible water-related outcomes	Company response to possible water-related outcomes
Row 1	Other, please specify (RCP4.5, RCP 8.5, and CMIP5 via the WRI Aqueduct Tool)	In 2019, Xylem identified 42 facilities, out of more than 310 facilities, that are at extremely high physical risk to the quantity or quality of water, by 2020. Two are in the arid & low water use category already.	Xylem uses the Aqueduct analysis along with actual water consumption at each facility to set water consumption reduction goals and use a risk-based approach to the allocation of resources for water consumption projects consistent with our water intensity reduction goal. The Aqueduct Water Stress Projections Data include indicators of change in water supply, water demand, water stress, and seasonal variability, projected for the coming decades under scenarios of climate and economic growth. Per WRI, indicators of water demand (withdrawal and consumptive use), water supply, water stress (the ratio of water withdrawal to supply), and intra-annual (seasonal) variability for the periods centered on 2020, 2030, and 2040 are estimated for two climate scenarios, RCP4.5 and RCP8.5, two shared socioeconomic pathways, SSP2 and SSP3. The Tool uses estimates from general circulation models (GCMs) from the Coupled Model Intercomparison Project Phase 5 (CMIP5). Xylem tracks water withdrawal using an online metrics tool called GenSuite. Water withdrawal is reported and reviewed at the facility level, monthly for facilities equipped with water meters, and quarterly for facilities getting consumption information from invoices. Water withdrawal values are aggregated at the corporate level. Our operational response to these scenarios is that and we have a goal of process water recycling water at all of our major facilities by 2025.

W7.4

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

Row 1

Does your company use an internal price on water?

No, but we are currently exploring water valuation practices

Please explain

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

W8. Targets

W8.1

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

	Levels for targets and/or goals	Monitoring at corporate level	Approach to setting and monitoring targets and/or goals
Row 1	Company-wide targets and goals Activity level specific targets and/or goals Site/facility specific targets and/or goals Brand/product specific targets and/or goals	Targets are monitored at the corporate level Goals are monitored at the corporate level	In 2017, Xylem signed the CEO Water Mandate, committing to continuous progress against six core elements of water stewardship. To determine Xylem sites located in water-stressed or water-scarce areas, Xylem used The Global Water Tool, developed by the World Business Council for Sustainable Development. This tool is used at manufacturing sites, sales and service facilities and large office-only facilities. Additionally, since 2018, Xylem uses the WRI Aqueduct Tool to conduct sensitivity analysis to: a) determine how water stressed the area is where each Xylem facility is located, and b) provide specific, drilled down analysis of the water quality and resilience risks at each Xylem facility including characteristics such as regulatory landscape, drought, flood, upstream and groundwater risks among others. Xylem uses the Aqueduct analysis along with actual water consumption at each facility to set water consumption reduction goals and use a risk-based approach to the allocation of resources for water consumption projects consistent with our water intensity reduction goal. Xylem tracks water withdrawal using an online metrics tracking tool called GenSuite. Water withdrawal is reported and reviewed at the facility level, monthly for facilities equipped with water meters, and quarterly for facilities getting consumption information from invoices. Water withdrawal values are aggregated at the corporate level and used to track our progress against our goal to reduce water use intensity by 25% by 2019. Xylem also conducted a materiality assessment in 2018 to ensure that the goals and targets we create and monitor are most material to our business and our stakeholders. In 2018, Xylem initiated a comprehensive review of our sustainability approach to establish new long-term goals and review the best ways to track our progress against some of the harder-to-measure metrics. Our new goals are aligned with the UN SDGs and UN Global Compact Principles. Particularly recognizing that Xylem can have the biggest impact through the use of our products, many of our current goals are related to the use of our products with a target year of 2025.

W8.1a

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

Target reference number

Target 1

Category of target

Water use efficiency

Level

Business activity

Primary motivation

Commitment to the UN Sustainable Development Goals

Description of target

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

more accessible and affordable for all.

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

Baseline year
2018

Start year
2019

Target year
2025

% of target achieved
3

Please explain
We reduced 0.12 billion m3 in 2019 representing 3 percent of the 2025 cumulative goal. In addition, we are in the process of working with the Sustainability and Health Initiative for NetPositive Enterprise (SHINE) at the Massachusetts Institute of Technology (MIT) to obtain third-party validation of the methodologies, models and definitions we will be using to validate our metrics and to align our approach with industry standards where possible.

Target reference number
Target 2

Category of target
Water recycling/reuse

Level
Business activity

Primary motivation
Commitment to the UN Sustainable Development Goals

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

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

Baseline year
2018

Start year
2019

Target year
2025

% of target achieved
3

Please explain
We reduced 0.40 billion m3 in 2019 representing 3 percent of the 2025 cumulative goal. In addition, we are in the process of working with the Sustainability and Health Initiative for NetPositive Enterprise (SHINE) at the Massachusetts Institute of Technology (MIT) to obtain third-party validation of the methodologies, models and definitions we will be using to validate our metrics and to align our approach with industry standards where possible. This also includes considerations of additional Xylem technologies involved in the processes that enable water reuse.

Target reference number
Target 3

Category of target
Water pollution reduction

Level
Business activity

Primary motivation
Commitment to the UN Sustainable Development Goals

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

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

Baseline year
2018

Start year
2019

Target year
2025

% of target achieved
18

Please explain
We prevented 1.25 billion m3 in 2019 representing 157 percent of our former 2019 goal and 18 percent of the 2025 cumulative goal. In addition, we are in the process of

working with the Sustainability and Health Initiative for NetPositive Enterprise (SHINE) at the Massachusetts Institute of Technology (MIT) to obtain third-party validation of the methodologies, models and definitions we will be using to validate our metrics and to align our approach with industry standards where possible.

Target reference number
Target 4

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

Level
Business activity

Primary motivation
Commitment to the UN Sustainable Development Goals

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

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

Baseline year
2018

Start year
2019

Target year
2025

% of target achieved
3.2

Please explain
We provided access to 640,000 people in 2019 representing 3.2 percent of the 2025 cumulative goal. Our impact reporting numbers are captured by our non-profit partners using NGO validated methodologies.

Target reference number
Target 5

Category of target
Product use-phase

Level
Company-wide

Primary motivation
Shared value

Description of target
Increase Vitality Index (percentage of sales from products launched in the past five years) to 30% by 2020 to drive product innovation and efficiency.

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

Baseline year
2014

Start year
2015

Target year
2020

% of target achieved
83

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

W8.1b

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

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

Level
Company-wide

Motivation
Water stewardship

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

Baseline year
2016

Start year
2016

End year
2019

Progress
We provided technology and market expertise to inform policymakers on key water issues in the United States and European Union, contributing language to the FUTURE Act and Advanced Research Projects Agency — Water (ARPA-H2O) Act in US federal and state legislatures to assist in the adoption of digital technology and accelerating the assessment of critical water infrastructure.

W9. Verification

W9.1

(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?
Yes

W9.1a

(W9.1a) Which data points within your CDP disclosure have been verified, and which standards were used?

Disclosure module	Data verified	Verification standard	Please explain
W1 Current state	2019 total water withdrawal = 442.9 megaliters.	ISAE 3000	ERM Certification and Verification Services (ERM CVS) provided limited assurance in relation to specified 2019 environmental and safety data presented in the 2019 Xylem Sustainability Report (page 49). The 2019 Assurance Statement issued by ERM CVS covers: Total water withdrawal (mega-liters).

W10. Sign off

W-FI

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

W10.1

(W10.1) Provide details for the person that has signed off (approved) your CDP water response.

	Job title	Corresponding job category
Row 1	Chief Executive Officer	Chief Executive Officer (CEO)

W10.2

(W10.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].

Yes

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

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

Please confirm below

I have read and accept the applicable Terms