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June 13, 2012

H.E. Ban Ki-moon  
Secretary General  
United Nations  
New York, NY 10017  
USA

Dear Mr. Secretary General:

I am pleased to confirm that Xylem Water Solutions AB, a division of the Xylem Inc. based in White Plains, New York, supports the ten principles of the United Nations Global Compact with respect to human rights, labor, environment and anti-corruption.

With this communication, we express our fervent intent to advance the UNGC's principles within our sphere of influence. We are committed to them as part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects that advance the broader development goals of the United Nations, particularly the Millennium Development Goals.

We recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement and demonstrate our commitment to the ten principles. We support public accountability and transparency, and therefore reaffirm our pledge to report on our progress annually, according to the Global Compact COP policy.

Sincerely,

A handwritten signature in black ink, appearing to read "MKuchenbrod", written over a light blue horizontal line.

Mike Kuchenbrod  
President, Water Solutions  
Xylem Water Solutions AB



**Communication on Progress:**

As a global company, we recognize the importance of acting with integrity and responsibility in all of the communities we operate in, source from, or otherwise impact.

Xylem Water Solutions has been a participant in the UN Global compact since 2002 and is committed to the ten principles that advance responsible environmental and social business practices. We have maintained the standards set in our Code of Conduct, worked with our suppliers to ensure their adherence to labor and human rights laws, and improved our own facilities and products to minimize our environmental impact.

In addition to our efforts to support the ten principles, we joined the Care for Climate initiative in 2009 and work with voluntary targets to increase energy efficiency and reduce our carbon footprint. Not only considering our own operations, but also including environmental impact from our products and supply chain activities.

UN Global Compact Principle	Approach	Achievements
<b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights	<p>Our Code of Conduct states that we are committed to conducting our business in a manner that respects and advances human rights based on our values and operating principles. We uphold human rights at all times and in all locations, regardless of local business customs.</p> <p>We seek business partners who share these commitments.</p>	<p>According to our corporate policy about human rights, introduced in 2011, Xylem is committed to identifying, preventing and addressing actual or potential human rights impacts within our sphere of influence.</p> <p>Our Code of Conduct is translated to 26 different languages and available on the intranet, as well as through hard copies for employees without easy access to a computer.</p> <p>In 2011 our yearly Code of Conduct training was completed by 99.8% of our in total 5011 employees.</p> <p>A corporate policy "Ethics &amp; Compliance Issue Resolution" confirms our commitment to conduct business ethically and compliantly and to ensure that all ethics and compliance issues are resolved appropriately. The Ethics &amp; Compliance Review Board handles and investigates complaints and consists of members from the senior leadership. An alternative channel for reporting issues are through our network of impartial ombudspersons.</p> <p>During 2011 the ECRB handled 11 complaints.</p>

<p><b>Principle 2:</b> Businesses should make sure that they are not complicit in human rights abuses</p>	<p>Our sourcing agreement requires suppliers to adhere to our Code of Conduct and stipulates requirements for our suppliers within the area of human rights and labour rights</p>	<p>A corporate project will start in Q3 2012 with the target to further develop our current process for supplier assessment and evaluation and establish a risk based process that covers sustainability aspects.</p>
<p><b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p>	<p>The corporate policy about Human Rights states:</p> <p>"Xylem is committed to the freedom of association and the recognition of the right to collective bargaining provided by law"</p> <p>We require through our sourcing agreement that the supplier will not physically abuse labour and will respect employees' rights to choose whether to be represented by third parties and to bargain collectively in accordance with local law.</p>	<p>According to the European Directive 2009/38/EC, a European Work Council (EWC) is established with Union representatives from all European Xylem companies. The EWC meets at least once a year to exchange information between the company and the union representatives.</p>
<p><b>Principle 4:</b> Elimination of all forms of forced and compulsory labor</p>	<p>Our corporate policy about Human Rights states that "Xylem is committed to the elimination of all forms of forced and compulsory labor including but not limited to prison and bonded labor"</p>	<p>Our Sourcing agreement stipulates that our suppliers shall not use forced or compulsory labour.</p> <p>This principle is part of our supplier assessment tool.</p> <p>In the third chapter of our Code of Conduct we explain that that Xylem Water Solutions uphold human rights in at all times and in all locations, regardless of local business customs.</p>
<p><b>Principle 5:</b> Effective abolition of child labor</p>	<p>We refuse to employ children and we do not partner with companies who use children as a part of their workforce. Our Human Rights policy states that we are committed</p>	<p>All of our Xylem Water Solution units and suppliers around the world are instructed to follow our Code of Conduct policies regarding hiring and to abide by local laws.</p> <p>This principle is part of our supplier assessment tool.</p>

	to an effective abolition of child labor. Our Sourcing Agreement also stipulates that our suppliers shall not use child labour as defined by local law.	
<b>Principle 6:</b> Elimination of discrimination in respect of employment and occupation	A part of our Code of Conduct requires that we provide equal employment and advancement opportunities for all qualified individuals without distinction or discrimination because of age, color, gender, gender identity, national origin, physical or mental disability, race, religion or sexual orientation.	<p>In 2011 our yearly Code of Conduct training was completed by 99.8% of our in total 5011 employees.</p> <p>We have a corporate gender target of 30% qualified women for internal/external hires to open positions at salary grade 15 or above. The result for 2011 was 38.2%, an improvement compared with 2010 (34%).</p>
<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges	We work to mitigate our company's environmental impact by developing policies and practices that empower our employees to make decisions that are good for our business and good for the environment.	<p>Xylem Water Solutions established a cross-functional working group for Sustainability during 2011. A sustainability strategy, including action plans will be presented for the management team during 2012.</p> <p>All of our Environment, Safety and Health (ESH) policies are made available to our employees through our company intranet and are periodically updated in order to address new specifications and legal requirements. When new employees join our company, they must complete mandatory ESH training based on the requirements of their specific jobs. Additionally, refresher ESH training is made available to all existing employees.</p> <p>During 2011 we continued our work to implement an ESH Management System in all Water Solutions units, which includes all requirements in the international standards ISO14001 and OHSAS18001.</p> <p>Our manufacturing facilities in Sweden, Germany, Argentina and China are certified according to ISO 14001.</p> <p>Our manufacturing facilities in Sweden and China are certified according to OHSAS 18001.</p>

		<p>We conduct thorough environmental assessments of every new site we enter and every existing site we leave as a part of our Due Diligence Process. This enables us to improve the existing condition or address the impacts of our facilities on a piece of land. In 2011 we conducted 15 environmental assessments, including soil and groundwater sampling, on facilities that we exited or entered.</p>
<p><b>Principle 8:</b> Undertake initiatives to promote greater environmental responsibility</p>	<p>Xylem Water Solutions strive to go beyond environmental regulations set by the local governments where it operates. Within our business, we are working to reduce our carbon footprint as a part of UNGC's "Caring for Climate" initiative, reducing our energy and water consumption, improving the efficiency of our product transportation and developing products that are more energy efficient.</p>	<p><i>Carbon footprint:</i> We measure our Global Carbon Footprint to analyze our impact on the environment. It includes emissions generated by our buildings, equipment and company vehicles.</p> <p>In 2011 our global carbon footprint increased compared with 2010. One reason is that we have been constantly improving the level and completeness of reporting, especially for mobile sources. Another reason is that Godwin, a company acquired by Xylem in 2010, has a fleet of about 700 trucks, which increased our mobile source emissions.</p> <p><i>Energy:</i> The total energy consumption from our buildings and equipment increased from 2010 to 2011 :</p> <ul style="list-style-type: none"> <li>- Electricity : +4%</li> <li>- Natural gas : +47%</li> </ul> <p>Both increases are mostly due to the Godwin acquisition which added about 35 locations in the US and one manufacturing site in UK to our facility footprint.</p> <p>An Energy project was initiated during 2011 to reduce our energy consumption with 5% per year, focusing on energy assessments to identify improvement possibilities at some of our major locations.</p> <p>Our largest manufacturing plant, Emmaboda (Sweden), is the major consumer of energy within our company. At the same time Emmaboda is taking several initiatives to reduce their consumption and the environmental impact.</p> <p>The bore hole thermal energy system in Emmaboda is a great example of a new and innovative technology</p>

		<p>to trap thermal waste heat generated by the foundry in holes bored 150 meters deep under the surface. The waste heat generated during the summer will be stored until the winter when it can be recovered and used for facility heating. The system will run completely on renewable energy and is carbon dioxide neutral.</p> <p>During 2011 the storage was charged with 1 845 000 kWh waste heat. When the storage is in full operation the calculated reduction of purchased energy is approx. 2 600 000 kWh/year.</p> <p>Beside the energy thermal storage our Emmaboda manufacturing plant made use of internal surplus energy to reduce its need for external heat by 675 megawatt hours (675 million watts per hour) during 2011.</p> <p><i>Transportation:</i> In 2009, we set a goal to reduce our CO2 emissions from goods transportation with 5% per year over a period of 3 years.</p> <p>In 2010 we initiated a project to reduce air transportation to Australia, in favor of boat transportation.</p> <p>By analyzing and planning deliveries of the 30 most frequently shipped products via ocean liners as a standard practice between Sweden and Australia, we reduced the air freights to Australia with 20% and reduced our CO<sub>2</sub> emissions by 615 tons and saved approx. USD \$231,000.</p> <p>Another project was started in 2011 to identify similar savings for air transportations to Argentina which resulted in a CO<sub>2</sub> reduction of approx. 188 tons and saved USD \$90,000.</p> <p>In 2012 a project will be initiated to work with additional sales companies' air transportation.</p> <p>In parallel, projects have been initiated and completed to optimize the transportation of goods by truck from our main manufacturing facility in Sweden.</p> <p>However, we have not been able to reach our overall reduction goal for goods transportation in 2011. One reason is the growth of our business including a</p>
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		<p>major acquisition in US/UK in combination with the fact that the target has not been normalized in relation to any growth figure.</p> <p><i>Waste:</i> In 2011, we recycled 86% of the non-hazardous waste generated by our facilities around the world. Our biggest production plant in Emmaboda, Sweden was able to recycle 92 % of its non-hazardous waste in 2011.</p> <p><i>Water:</i> Our Emmaboda facility has set a goal to reduce the drinking water consumption with 10% during 2009-2012 (related to production levels). The positive trend during 2010 was broken in 2011, when the water increased. There are on-going activities to meet the goal, such as replacing drinking water in pump testing with water from the near-by stream.</p> <p>One of our locations in Canada has implemented a solution where they use collected rainwater for filling the test tank of 50 m3, thus minimizing the consumption of fresh water from the municipality.</p> <p>The water consumption for the company in total increased from 2010 to 2011, mainly due to an increase in the testing of products at our manufacturing sites in Sweden and USA. A project focusing on Water Footprint calculation and reduction will be initiated during 2012.</p>
<p><b>Principle 9:</b> Encourage the development and use of environmentally friendly technologies</p>	<p>Xylem Water Solutions is continually testing new technologies developed by our engineers to provide better access to clean water to communities around the world. We focus on developing high-quality products/applications and solutions that are robust and energy efficient.</p>	<p>Xylem Water Solutions uses Life Cycle Assessments (LCA) as a way to measure the environmental impacts of its products from the acquisition of raw materials necessary to build the product to its ultimate disposal.</p> <p>These LCAs have shown us that approximately 90 percent of the environmental impact of our products occurs in the user phase. Knowing this, we work to develop products that are even more energy efficient and safe for our customers.</p> <p>We have developed Environmental Product Declarations* for 17 of our high-volume products, including drainage and sewage pumps. Additionally, we published 17 Climate Declarations** on these</p>

		<p>same products to describe the CO<sub>2</sub> emissions produced throughout the products' life cycles.</p> <p>When designing products, we make every attempt to limit the hazardous substances used in their production and construction. We have developed our own list of "Banned and Restricted substances", and require our suppliers to follow that list. Our list includes the substances of very high concern listed on the REACH Candidate List from the European Chemicals Agency (ECHA). We have also ensured that our Flygt and Grindex products meet the Restriction of Hazardous Substances (RoHS) directive which limits lead, cadmium and other hazardous substances.</p> <p>* A certified EPD reports environmental data of products in accordance with ISO standard 14025  **A single-issue EPD, describing emissions of green-house gases (as CO<sub>2</sub> equivalents) for a product's life cycle.</p>
<p><b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery</p>	<p>Xylem is committed to conducting business the right way and free of any corrupt activities.</p> <p>Xylem has a robust anti-corruption program directed by the Legal Department.</p> <p>The Program includes:</p> <ul style="list-style-type: none"> <li>- Anti-corruption training for certain functional areas in the company</li> <li>- 24 hour confidential Hotline for reporting any issues and an Ombudsperson program maintaining a network of impartial ombudspersons trained to deal with ethical and compliance issues</li> <li>- Anti-Corruption Policy prohibiting commercial and</li> </ul>	<p>During 2012 our company completed a comprehensive Anti-Corruption Manual that was distributed to all employees. The manual provide guidance to employees on issues relevant to conducting international business with commercial (non-government) and government officials, employees and customers.</p> <p>An Anti-Corruption website was also created in 2012, available to all employees and containing: policies, due diligence process information and forms, national bribery laws worldwide.</p> <p>Regional in person training sessions with leadership and sales and marketing have occurred in some regions.</p> <p>On line training will occur in Q3 2012 for all employees involved in related functional areas, including: Compliance, Legal, Finance, Sales &amp; Marketing, HR, Supply Chain, Contracts &amp; Procurement; Leadership.</p> <p>All third parties that have completed Xylem's due diligence review process will receive on-line anti-corruption training in their native language, every other year.</p>

	<p>government bribery, extortion, kickbacks, Facilitating Payments (prohibited), Use of Third Parties</p> <ul style="list-style-type: none"> <li>- Due Diligence Review Process for third parties that interact with the government</li> <li>- Due Diligence Review Process (on Anti-Corruption issues) for Mergers &amp; Acquisitions</li> <li>- An Anti-Corruption Committee that meet quarterly to ensure program implementation and improvements of the program.</li> </ul>	<p>The Anti-Corruption Committee has an annual action plan and will be measured against completion of program enhancements and implementation.</p>
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